

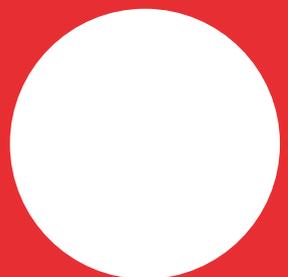
# **Evolution of Post-Soviet Space:**

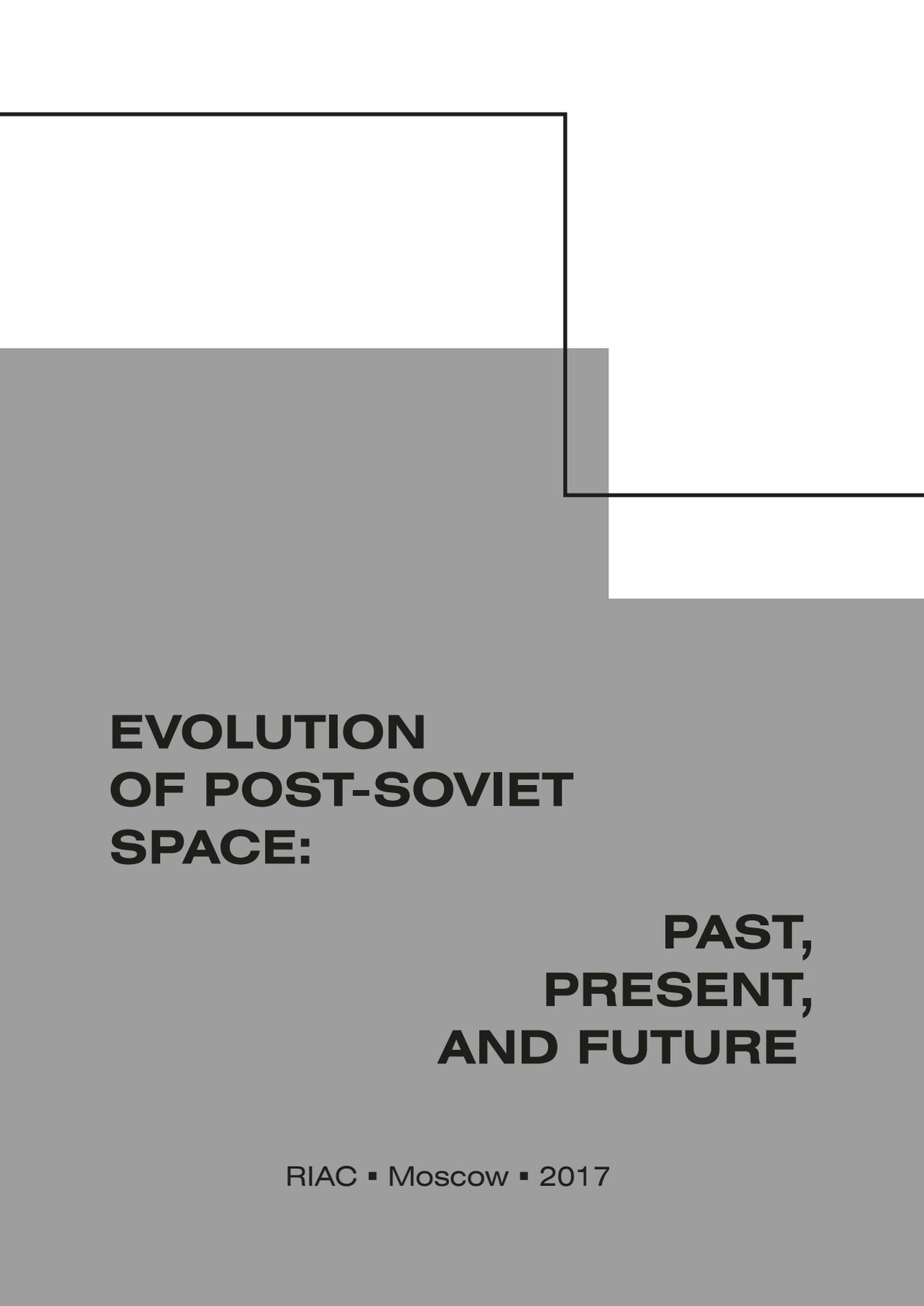
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**Past,**

**Present,**

**and Future**





**EVOLUTION  
OF POST-SOVIET  
SPACE:**

**PAST,  
PRESENT,  
AND FUTURE**

RIAC ▪ Moscow ▪ 2017

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This publication includes 53 articles analysing the main development trends in the post-Soviet space – both the geopolitical region as a whole and the individual countries that make it up. The anthology consists of three sections: the first section is retrospective in nature and looks at the post-Soviet space 20 years after the collapse of the USSR; the second section analyses the current state of the former Soviet nations; and the third section provides a number of forecasts for the development of the countries in the region to 2021. This publication will be of interest to international affairs experts, civil servants, journalists and anyone interested in studying the future and analysing long-term global trends.

The opinions presented in these articles reflect the personal views and research positions of the authors and do not necessarily represent the views of the Russian International Affairs Council.

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## PREFACE

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A quarter of a century has passed since the formation of the new states on the territory of the USSR that collapsed in 1991. During this time, a whole generation of citizens of these states has grown up in the new geopolitical conditions. The states themselves were actively shaping the path of their independent formation, developing effective foreign policy, seeking allies, partners, and resources for development.

In many respects the inertia of the USSR collapse has preserved over the past 25 years. The societies of post-Soviet states still adhere to the notion of the need to strengthen the positions of their countries in the world arena and their legal personality in international affairs. At the same time, relations with Russia have become more pragmatic. On the one hand, there is no escape from common geography and history; on the other – global competition has brought new incentives for cooperation. The growing processes of economic regionalization in the world have not circumvented the post-Soviet space. 2015 saw the launch of the Eurasian Economic Union (EAEU) with Russia, Kazakhstan, Belarus, Armenia, and Kirghizia involved. At the same time, Russia still attaches great importance to CIS that remains one of priorities in the new Foreign Policy Concept approved by President of the Russian Federation Vladimir Putin on November 30, 2016.

The security and collective security institutions in the post-Soviet space remain among the most painful issues. The questions of who needs to defend and who is the possible aggressor, arise not so much in connection with the economic capabilities of the countries, but because of the problems of their identity on the world arena and in regional relations, the difficulties they experience in developing their own development strategies and foreign policy priorities. Along with the uneven distribution of natural resources and the limited ability to replace them with intangible assets, the former union republics demonstrate different pace of development.

This collection of articles, which is essentially an anthology, contains materials that reflect the evolution of post-Soviet countries from the moment they appeared on the political map of the world till the present, including the forecast of changes until 2021. The authors of the articles, written specially for the Russian International Affairs Council, include leading experts and scholars – specialists in the relevant countries and regions within the post-Soviet space. The interest is evoked not only by the materials addressed in the near future: what is to be expected in the states under consideration in the next five years. The assessment of the current situation and a retrospective look at the expert analysis from five years ago form the idea of the nature of relations between Russia and its neighbors, the opportunities and risks of strengthening ties with them.

The editors and authors of the works hope that the articles published can form the basis for the subsequent discussion of the prospects for specific projects on cooperation between the states of the post-Soviet space.



**POST-SOVIET  
SPACE:**

**20** YEARS

**AFTER  
COLLAPSE  
OF THE USSR**



## Russia and CIS Countries: the Relations Getting Mature

*Twenty years down the road. How the world has changed since demise of the USSR?*

*Dmitri Trenin*

*The disintegration of the Soviet Union has crowned nearly a 500 year-long period of Russian history when imperial regime used to be the backbone and for the most of the time the form of Russian statehood. This overhaul had tremendous implications above all for the Russian foreign policy.*

Despite the hopes of some and fears of others the USSR disintegration unlike the collapse of the Russian Empire in 1917 was not followed by imperial restoration in a new make-up. Two decades later all former Soviet republics managed not only to preserve their statehoods but to fit in with the world community.

Contemporary Russia – the Russian Federation – has also fit in with the world community. The USSR disintegration did not maintain momentum within Russian borders. Albeit with difficulties, Russia in the 1990s – early 2000-s consolidated its statehood. Militarily and later politically it managed to resolve the problem of Chechen separatism, diplomatically it settled the relationships with Tatarstan, legally it ensured the supremacy of the Russian Constitution on the whole territory of the Russian Federation. Despite frequent statements made about artificial nature of current Russian borders they mostly coincide with the boundaries Russia had in 1650 before the accession of Ukraine and the conquests of Peter the Great. Russia continued to exist within this territory after the previous disintegration of the empire in 1917–1918.

The process of exiting from the imperial status is always long and painful.

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**The disintegration of the USSR was carried through peacefully and voluntarily. The representatives of the republics, which came together in 1922 to form the Soviet Union, agreed in Bialowieza forest to dissolve the Union. In the wake of the agreement the USSR President announced his resignation. He handed the symbols of supreme power – nuclear briefcase and the Kremlin residence – over to the President of Russia. The role of the USSR Army Forces Command which agreed to the Union's dissolution and the division of the Army and the Navy is noteworthy.**

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Among the positive factors is that the USSR disintegration unlike that of the French, Portuguese and even British empires was basically of a peaceful and non-violent nature. The main reason of it is the fact that it was Russia itself or, to be more precise, its elite which initiated the dismantling of the empire. It was completely in the logic of the society's struggle against absolute power of the CPSU widely perceived as the Union center of power. On June 12, 1990 the Supreme Council of RSFSR adopted a Declaration on state sovereignty, earlier than any other former Soviet republic with the exception of the Baltic ones. A year later there took place nation-wide elections of the President of RSFSR.

Russia was forced out of the USSR by the claims on it from other Union republics – it got tired of being an all-Union donor. According to pragmatic estimates, main resources were concentrated in Russia, and major recipients were outlying republics of the USSR. Besides, in an effort to win the support of other USSR republics in its confrontation with the Union Center the RSFSR leadership gave up its informal “Big brother” status in the “Peoples Family” and proclaimed the policy of fostering relations with other republics as equal sovereign states. Thus, the once famous in the 19th century slogan “For your and our freedom” was realized.

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**The process of exiting from imperial status is always long and painful. Fostering relations with the former colonies and outlying republics is a great challenge for ex-empires. When it comes to Russia, a number of factors facilitate this task while others complicate it.**

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The disintegration of the USSR was carried through peacefully and voluntarily. The representatives of the republics, which came together in 1922 to form the Soviet Union, agreed in Bialowieza forest to dissolve the Union. In the wake of the agreement the USSR President announced his resignation. He handed the symbols of supreme power – nuclear briefcase and the Kremlin residence – over to the President of Russia. The role of the USSR Army Forces Command which agreed to the Union's dissolution and the division of the Army and the Navy is noteworthy.

The Russian Federation promptly recognized the new states within the administrative borders of the Union republics despite the fact that about 25 m. ethnic Russians who in a number of cases compactly populated vast territories were left behind these borders. The issues of Ukraine, the Crimea, Sevastopol and the Black Sea Navy were the thorniest issues on the agenda. The Russian leadership refrained from making claims on Ukraine in order to avoid a conflict with the republic still possessing the part of the Soviet nuclear arsenal.

During the first decade (in the 1990s) a new Russia was focused on sorting out its internal problems and in foreign policy – on fostering relations with the West. It was essential for the Russian Federation to be recognized as legitimate

successor to the USSR (and the Russian Empire), to preserve the seat in the UN Security Council and to maintain control over the USSR's nuclear capability. In order to fill in the niche of the former USSR on the international arena Moscow assumed the responsibility for the Union's debts and took under control its foreign assets and military bases.

The term “near abroad” coined in the aftermath of the USSR disintegration did not imply temporary nature of the newly emerged states' independence as they thought it to be in the West instead, it implied the change of attitude to them as truly sovereign states.

The states which emerged on the ruins of the USSR remained, in fact, on the periphery of Russian foreign policy. The term “near abroad” coined in the aftermath of the USSR disintegration did not imply temporary nature of the newly emerged states' independence as they thought it to be in the West instead, it implied the change of attitude towards these entities as truly sovereign states but not as outlying republics of the once single country. The process of political and psychological adaptation took several years. The 1997 “Big Deal” with Ukraine officially settling current Russia-Ukraine border became a tipping point. By signing the Treaty Moscow actually recognized Ukraine's independence once and for all.

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**The term “near abroad” coined in the aftermath of the USSR disintegration did not imply temporary nature of the newly emerged states' independence as they thought it to be in the West instead, it implied the change of attitude to them as truly sovereign states.**

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The Commonwealth of Independent States (CIS) created after the dissolution of the USSR from the very start did not become the platform for the re-integration of newly independent states with the former mother country instead, it became the instrument of joint withdrawal from the imperial state and a factor of new states formation and strengthening of their independence. Having agreed to the format of close equal cooperation without binding obligations Russia, in fact, helped these states become genuinely independent.

CIS actually mitigated – in public opinion, among other things – the shock of the USSR disintegration. Former USSR republics continued to keep their borders open. Right up to 1993 the only currency circulating in CIS countries was the Russian rouble. Russia continued to substantially subsidize energy and raw materials supplies to newly independent states. Russia also used CIS mechanism to end, with the help of the Russian Army and diplomacy, ethnic conflicts raging in Transnistria, Abkhazia, South Ossetia, Karabakh and Tajikistan. At the same time, the efficiency of the CIS structures proper and the execution of decisions taken by the organization were at a very low level.

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**The decision taken in 2005 to stop subsidizing Russian energy supplies to CIS countries turned out to be a milestone event in this regard.**

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During the second decade (in the 2000s) Russia was pursuing more pragmatic policy towards its neighbors. Term the “near abroad” practically got out of usage. Moscow became focused mostly on facilitating the expansion of Russian capital, building up its political weight and enhancing its cultural presence in newly independent states. Thus, the imperial idea was replaced by the concept of Russia as a great power.

The decision taken in 2005 to stop subsidizing Russian energy supplies to CIS countries turned out to be a milestone event in this regard.

In spite of all the similarity between the two concepts there are also significant differences. While the Empire, both Russian and Soviet, was concerned more about the support and development of the outlying regions and the countries within its orbit rather than about the prosperity of the mother country (actually, there wasn't such in Russia apart from its capital cities – St. Petersburg and later Moscow), a Great Power lays emphasis above all on strengthening its own might and international influence.

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**Despite the unconditional recognition of the former outlying republics' independence and the focused attention drawn to economic issues, the Russian leadership sought to prevent an overwhelming influence of the third powers.**

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The decision taken in 2005 to stop subsidizing Russian energy supplies to CIS countries came as a milestone event in this regard. Gazprom's policy of profit maximization was fully supported by Russian government. It resulted in the refusal from “imperial preferences” in Russia's economic relations with the former Soviet republics. Ukraine, Belarus, Moldova, Armenia and Georgia, despite all the differences in political relations between Russia and each of these countries, ceased to be “the near abroad” and became for Moscow simply the countries of abroad.

Despite the unconditional recognition of the former outlying republics' independence and the focused attention drawn to economic issues, the Russian leadership sought to prevent an overwhelming influence of the third powers.

Already in mid-90s Russia was faced with an economic and political expansion of USA and European countries into the Caspian Sea region, the attempts of Turkey to spread influence to Azerbaijan and other Central Asia Turkic-speaking republics and the wish of some political forces in Bucharest to realize the idea of a

“Great Romania”, etc. Under the circumstances, Russia indicated “red lines” the crossing of which would mean posing a threat to the country’s security. These lines implied, above all, CIS countries’ membership in NATO, the deployment of foreign military bases on their territories and the use of military force by these countries without Moscow’s authorization.

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**Color revolutions in Georgia, Ukraine and Kirgizia in the 2000s came as a severe test for Russia’s foreign policy in CIS countries.**

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In early 2000 these “red lines” were reviewed. Moscow revised its approach having agreed in the wake of 9.11 events to the deployment of US military bases in Uzbekistan and Kirgizia. It was stressed, however, that the presence of American military in Central Asia was necessitated by the counter-terrorist operation in Afghanistan and therefore was an emergency and temporary measure. The Russian leadership also decided not to regard the presence of American military instructors in Georgia within the framework of the Georgian Army retraining and rearmament program as a threat to Russia’s security.

Color revolutions in Georgia, Ukraine and Kirgizia in the 2000s came as a severe test for Russia’s foreign policy in CIS countries.

Also, the leadership of Russia reacted with restraint to the second after the end of the cold war wave of NATO expansion. Having failed in 1999 to prevent the accession of Poland, the Czech Republic and Hungary to NATO in 2004 Moscow took the membership of Latvia, Lithuania and Estonia in this organization to consideration. In practical terms, it was Russia that was faced with problems, taking into account the exclave status of Kaliningrad, after the three Baltic States had joined the European Union. Since the Supreme Council of the USSR authorized the withdrawal of the Baltic States from the Soviet Union they have never been viewed as participants to integration projects initiated by Moscow. In the Baltic dimension Russia tried to ensure its security, protect its economic interests and promote civil and political rights of the Russian-speaking population of Latvia and Estonia who were denied automatic citizenship of these countries.

The so-called color revolutions in Georgia (2003), Ukraine (2004) and Kirgizia (2005) came as a severe test for Russia’s foreign policy in CIS countries in the 2000s. Moscow saw color revolutions as joint US and local pro-American forces conspiracies with a view to changing regimes in CIS countries and replacing former rulers by pro-Western political figures. As a minimum these revolutions were aimed at reducing Russia’s influence in CIS countries and as a maximum they were regarded as the rehearsal of the main color revolution – in Russia itself. These concerns were extremely strong in Moscow in early 2005. At the same time, each color revolution had its own geopolitical implications.

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**Five day-long war in August became the bloodiest event in the post-Soviet space after the disintegration of the USSR – the conflict in the Crimea and even the immediate USA–Russia standoff were looming large. Top officials in Moscow announced the preparedness for a new cold war, with CIS countries being defined as the sphere of Russia’s privileged interests.**

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The “tulip” revolution in Kirgizia opened up the way for destabilization not only in this small country but in the whole Central Asia region. After the toppling of the loyal to Moscow regime in Bishkek the revolt in Andizhan took place which threatened to explode the Fergana valley and encourage radical extremists whose actions the Uzbek and Kirgiz police forces struggled to suppress in 1999–2000.

The “orange” revolution in Ukraine posed a new threat to Moscow – NATO expansion in close proximity to the Russian borders. In early 2008 the Ukraine’s leadership with the US backing extended the request to NATO to grant Kiev the so-called Membership Action Plan. Although at the Bucharest NATO summit Ukraine (as well as Georgia) was denied this plan due to the position of Germany and France, NATO member-states pledged Kiev and Tbilisi that they will be among their ranks. This decision sparked off new escalation of tension between Russia and the USA, and Russia and Ukraine.

Finally, the “rose” revolution in Georgia resulted in using force by Georgian side already as early as 2004 in conflicts where Moscow was the main peace-broker. By summer 2008 the tension over South Ossetia and Abkhazia had reached its climax against the backdrop of the Bucharest decision. The attempt of Georgian President Mikhail Saakashvili, with the connivance of the George Bush Administration, to forcefully resolve Georgia–Ossetia conflict, in fact, unleashed the war between Russia and Georgia.

Five day-long war in August became the bloodiest event in the post-Soviet space after the disintegration of the USSR – the conflict in the Crimea and even the immediate USA–Russia standoff were looming large. Top officials in Moscow announced the preparedness for a new Cold War, with CIS countries being defined as the sphere of Russia’s privileged interests.

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**There exist in Russia plans of even deeper integration – the creation of a Currency Union on CU and SEA basis, with the rouble becoming the regional currency circulating on a vast territory stretching from the EU to China.**

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The new standoff, however, didn’t happen. In September 2008 the global economic and financial crisis shifted the focus of the world to economic problems. In the USA a Democrat candidate Barack Obama who fiercely criticized the Bush

Administration's foreign policy won the November presidential elections. The so-called resetting of Russia-US relations aimed at easing the tensions between the two countries and moving on to practical cooperation in the areas of mutual interest took place in 2009. The situation in the Caucasus, with Russia recognizing Abkhazia's and South Ossetia's independence in the aftermath of the war with Georgia, was, fortunately, sidelined in the relations of Russia with USA, NATO and EU. In 2010 the candidate of the Party of Regions Victor Yanukovich won the presidential elections in Ukraine. He enshrined in law the "no bloc membership" status of this country. Thus, the issue of Georgia's (after the war in 2008) and Ukraine's NATO membership lost its relevance.

In early 2010s the leadership of Russia decided to take practical steps towards real integration with some CIS states. In 2010 the Customs Union of the three countries – Belarus, Kazakhstan and the Russian Federation – was launched. Starting from 2012 the economies of these countries will make up a Single Economic Area. The integration efforts within the CU framework have born fruit because they are based on real economic interests. The creation of SEA, however, suggests the level of national economies' openness, the freedom of the movement of capitals and protection of private ownership unseen before in Belarus. This circumstance may become a stumbling block or even an un-surmountable obstacle in the process of Belarus' integration into SEA.

There exist in Russia plans of even deeper integration – the creation of a Currency Union on CU and SEA basis, with the rouble becoming the regional currency circulating on a vast territory stretching from the EU to China.

There is a desire not only to deepen but also to broaden the integration gradually extending it beyond the three core members of the Euro-Asian Economic Community (EAEC) to Armenia, Kirgizia and Tajikistan. The attempts to invite Ukraine into the Customs Union are also being made.

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**The Euro-Asian Union prospects depend on whether its designers and founding fathers will be able to resist the temptation to run before they can walk.**

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Economic Integration goes hand in hand with the integration in the sphere of security. Back in 1999 the Treaty on Collective Security of CIS countries signed in 1992 in Tashkent primarily with a view to regulating the process of the USSR military heritage division was transformed into the Collective Security Treaty Organization (CSTO). The countries participating in economic integration – Armenia, Belarus, Kazakhstan, Kirgizia, Russia and Tajikistan – also became the members of this organization. Uzbekistan now withdrew from the CSTO membership, now returned into its ranks, but even in that case it enjoyed a special status in the organization. Starting from 2010 purposeful steps have been taken with

the idea to establish within CSTO a “security union” for the coordination of security policies and creating joint forces to act in different situations.

The Euro-Asian Union prospects depend on whether its designers and founding fathers will be able to resist the temptation to run before they can walk.

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**Geopolitical ambitions should take economic interests and political realities into account.**

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In autumn 2011 Vladimir Putin put forward the idea of the so-called Euro-Asian Union. It suggests the creation of the center of power with integrated economy, common defense and security mechanism and common humanitarian space on the major part of CIS territory. The European Union is said to have served the model for the Euro-Asian integration project. In this regard, it is planned to set up supranational governance bodies starting from the economic sphere.

The Euro-Asian Union prospects depend on whether its designers and founding fathers will be able to resist the temptation to run before they can walk. Economic integration within the Customs Union (CU) is successful and may become the groundwork for embarking on the creation of a Single Economic Area (SEA). But already at this stage it’s necessary to remember that the creation of SEA with Belarus’s full-fledged participation is impossible with the political regime in power in Minsk. The establishment of a Currency Union poses even more challenges. It’s unclear whether the rouble will be a single currency circulating in the countries – members to the Union like the euro or it will assume the function of a single currency like the dollar. Besides, it’s also uncertain who will be entitled to emit money within the Union.

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**For each CIS member-state independence means above all the independence of Russia.**

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Geopolitical ambitions should take economic interests and political realities into account.

A hasty expansion of the economic integration area may not only create difficulties for the countries – founders of CU and SEA, but also undermine trust to the whole project. It’s obvious that Kirgizia and Tajikistan have to go a long way before they will be able to create economic and political conditions compared with those existing in Kazakhstan. Even more damaging could be the desire to engage Ukraine in the integration process at all costs. For any political force in power in Kiev the integration with Russia would eventually mean the dependence on Moscow. Provided that a Ukrainian government agrees for tactical reasons to join the Euro-Asian integration project, this decision might be challenged and cancelled by the subsequent government.

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**The launch of a successful national development model is the overarching task for Russia at the beginning of the 21st century.**

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For each CIS member-state independence means above all the independence of Russia.

Thus, geopolitical ambitions should take into account economic interests and political realities. The Russian Federation seeks to acquire through the integration a new equilibrium and take a higher position on the global arena. Other states and their elites pursue their own goals which are partly in line with the goals of Russia. Therefore, having embarked on the integration path it's necessary to remember about two things. First, any integration project is supposed to have a donor, and in case of Euro-Asian project Russia is such a donor. Second, for each CIS member-state independence means above all the independence of Russia, and they are not prepared to sacrifice it.

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**Traditional territorial imperative – the search for new geopolitical balances with neighbors and competitors – must be reviewed.**

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The launch of a successful national development model is the overarching task for Russia at the beginning of the 21st century.

From the above it follows that it's necessary to maintain balance between ambitions and resources, inputs and gains. Only national interests of Russia itself can serve as the criterion for that. The launch of a successful national development model, overcoming its underdevelopment but not the creation of a geopolitical construction is the overarching task for Russia at the beginning of the 21st century. The utmost importance of external resources for modernization and strict compliance with the principle of strategic independence come to the fore in this regard. Integration with CIS countries can be economically beneficial, and the necessity to provide for the security of Russian borders in times when new challenges emerge is obvious.

Traditional territorial imperative – the search for new geopolitical balances with neighbors and competitors – must be reviewed.

Apart from a full-scale integration with CIS countries Russia needs economic integration and political cooperation with the European Union and the creation of a single security area in the Euro-Atlantic, i.e. the demilitarization of its relations with USA, close and balanced cooperation with China and making itself into a Euro-Pacific power. In the 21st century Russian foreign policy has much on the agenda.

## Azerbaijan and Russia: Present and Future

*Strong Azerbaijan is a guarantor of stability in the Caucasus*

*Stanislav Chernyavsky*

*After the period of confrontation and feelings running high in the 1990s, the Russian-Azerbaijani relations have moved on to the stage of strategic partnership. Russia is interested in a stable and strong Azerbaijan, a state-stabilizer and a natural barrier against the threats posed by the Middle East, Central Asia and the Persian Gulf.*

### Secession of Azerbaijan from the USSR

The fashionable clichés used nowadays by certain political scientists describing the collapse of the Soviet Union as “a national liberation movement against the empire” are not applicable to Azerbaijan which was one of the most thriving republics having no need for any “subsidies” from the Center. Despite the embellishments of reality, falsified reporting and demagoguery typical of those times, the Republic was in fact highly industrialized, had a powerful agrarian sector and an intellectual potential. Baku was famous for its internationalism and was looked upon as another “Odessa” – on the Caspian Sea.

However, “perestroika” of the social and political system of the USSR launched by Mikhail Gorbachev in 1998 and held in the atmosphere of voluntarism and demagoguery, resulted in dismantling the governance structure of the union republics and renaissance of tribalism and regionalism. The catalyst of destructive processes in the Azerbaijani society was the bloody inter-ethnic conflict with neighboring Armenia over Nagorno-Karabakh populated by Armenians, an apple of discord dating back to pre-Soviet time.

Soviet power managed to keep a lid on the contradictions over this autonomous region which in accordance with the Constitution was part of the Azerbaijan SSR. However, the inability to control the “perestroika”, the desire of local elites to take advantage of nationalistic trends brought about an armed conflict between Armenians and Azerbaijanis.

The Nagorno-Karabakh conflict quickly escalated into an armed struggle with both sides using artillery and aviation. An all-out war broke out between the two Union republics. The unwillingness of the Gorbachev leadership to pursue a firm policy in order to put an end to the conflict fueled nationalist forces in both republics and discredited the federal center. Nevertheless, the people of Azerbaijan continued to support the preservation of the Union rejecting the nationalist appeals of the local Popular Front. It will be recalled that 74.9 per cent of Azerbaijani voters

(more than in the RSFSR – 74 per cent) took part in the All-Union Referendum on March 17, 1991. The preservation of the Union was supported by 93.3 per cent of voters, with 5.8 per cent – against.<sup>1</sup>

Expressing the sentiment of the overwhelming majority of the country, President A. Mutalibov made a speech on August 19, on the eve of the “GKCHP Putsch” with criticism of Gorbachev’s indecision “leading the country to anarchy”. After the failure of the “August Putsch” which coincided with another aggravation of the Karabakh situation, the nationalistic fervor in the Republic reached its peak.

In these conditions on August 30, 1991 the Supreme Soviet of Azerbaijan adopted a Declaration on the Restoration of State Independence of Azerbaijan, and on October 18, 1991 – The Constitutional Act on the State Independence of the Republic of Azerbaijan.

Adopted in a state of nationalist euphoria it was emphatically anti-Russian. “Over 70 years – the document said – a policy of colonialism was pursued against the Republic of Azerbaijan, the national resources of Azerbaijan were ruthlessly exploited, national wealth was plundered, the Azerbaijani people were persecuted and repressed, its national dignity was trampled on.”

### After the declaration of independence

As to bilateral relations with the former Center, with Moscow, their development in the first years after the “restoration” of independence was painful: both Moscow and Baku were adjusting to the new realities with difficulty. The efforts to form a new national statehood by the radical nationalists resulted in breaches of relations and controversies, negotiations were conducted in the atmosphere of claims, counterclaims and threats.

The country was in dire social and economic conditions.

As a result of the breakup of inter-republican industrial relations many enterprises had to stop production due to the obsolete equipment and lack of spare parts and components for final products which had earlier been supplied by associated enterprises of the union Republics. As the country had no oil refineries of its own it was left without fuel and lubricants. Transport stopped. Increased unemployment and impoverishment reduced the domestic market. The war in Nagorno-Karabakh and aggravation of the situation in the Russian North Caucasus caused a drastic reduction in transport links with the outside world.

By the time of Heydar Aliyev’s taking office as acting President of Azerbaijan in summer of 1993 so many problems had accumulated in the Russian – Azerbaijani relations that talking of partnership and cooperation was out of the question. Both countries were in a state of confrontation, with continuous stream of messages and protest notes from both sides. There was preparation for the introduction of visa regime and restricted entry of Azerbaijanis in Russia.

<sup>1</sup> “Bakinsky rabochiy”, March 20, 1991.

■ Stanislav Chernyavsky

A passive position of Moscow leadership in the summer and autumn of 1993 with respect to the Karabakh war, the inability of Russia to render tangible assistance to the economic recovery of Azerbaijan, especially in the development of deepwater oil fields on the Caspian shelf was inevitably bringing the Azerbaijani leadership closer to the West.

On December 12, 1994 the Russian Army started active operations “to restore constitutional order” in Chechnya and on December 19 Russia closed the border with Azerbaijan and Georgia thus imposing a trade embargo on Azerbaijan. The reasons for “the embargo” were based on Russia’s charges that Baku was rendering military assistance to Chechnya (trafficked foreign militants through its territory, cargoes of armaments and ammunition as well as Azerbaijani militants etc.).

With the departure from the political scene of Boris Yeltsin the Russian leadership took drastic measures to eliminate the weak points in its relations with Baku. The intergovernmental commission on economic issues resumed its work; attempts were made to solve long-standing problems in relations among the economic entities. By the mid-2000s the Russian-Azerbaijani relations were already on the mend thus making it possible for the President of Russia to pay the first post-Soviet official visit to Azerbaijan in 2001.

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**The active use of “energy diplomacy” promoted economic recovery of Azerbaijan, ensured considerably higher living standards and consolidation of the secular democratic state.**

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With regard to relations with the outside world, it should be admitted that the active use of “energy diplomacy” promoted economic recovery of Azerbaijan, ensured considerably higher living standards and consolidation of the secular democratic state. Azerbaijan intensified its efforts to integrate into the global community and above all into the Euro-Atlantic structures. Azerbaijan became a significant authoritative member of the international community.

### The present and the future of Russian-Azerbaijani relationships

According to the official estimates of Russian and Azerbaijani leaders, their relations can be described as “strategic partnership”.

The interaction is based on economy and trade underlying the pragmatic and balanced character of the partnership dialogue. At present Azerbaijan seems to be the only country in the region having sufficient potential for a technological breakthrough towards new industrialization and the resources for the creation of new innovation industries.

According to the Report of the World Economic Forum (WEF) for 2011 Azerbaijan ranks 13th in the world as regards the macroeconomic environment competitiveness. In terms of balanced budget the Republic occupies the fourth place, with the level of national savings on the 11th place.

Modern bilateral relations are reinforced by close links between top leaders and contacts of business elites in the course of work on mutual projects. In all, over 500 Russian companies are doing business on the Azerbaijani market, among them more than 170 companies with one hundred percent Russian capital and 237 joint ventures (“AzRosPromInvest”, “HazarLada” and others)

The Azerbaijani investors in their turn put their capital in industrial enterprises in Russia (for instance, “Azersun Holding” finances a tea-packing factory and a cannery in Krasnodar).

There is one more important aspect of bilateral interaction – cooperation in aviation. To illustrate, OAO “Airport “Astrakhan” and “Azerbaijani Airlines” are working on a joint project worth 200 million rubles. Cooperation in the financial and banking sphere is developing with the participation of the International Bank of Azerbaijan, VTB and “Uralsib”.

The driving force of the bilateral relations is energy cooperation. Volumes of Azerbaijani natural gas deliveries are on the rise. The prospects of cooperation in the gas sphere are rather favorable given the increase in the number of proven and open gas fields (“Umid”, “Apsheron” on the Caspian shelf). Russia may also become a transit country in exporting the Azerbaijani gas to Western markets including through the “South Stream” gas pipeline.

The major transportation line of Azerbaijani oil to the world market is Baku – Tbilisi – Ceyhan pipeline. For the diversification of oil export routes purposes the transportation of Azerbaijani oil through the Russian territory along the Baku – Novorossiysk pipeline is of no small importance. The volume is not big but constant (about three million tons a year).

Baku and Moscow have started to make greater use of reserves of trans-regional transport links. In the future this will enable Russian and Azerbaijani companies to ensure and strengthen their presence on international markets of the south and south-east of Eurasia. It is planned to open Baku – Astrakhan communication lines, restore federal routes through the territory of Dagestan and Chechnya to Azerbaijan and ensure Russia’s entry in the markets of the Persian Gulf via Azerbaijan.

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**A stable and strong Azerbaijan is very important for Russia. In the opposite case the Russian Caucasus might be faced with unpleasant destructive influence.**

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For Russia Azerbaijan is a natural barrier against the threats coming from the South (from the region of the Middle East, Central Asia and the Persian Gulf).

■ Stanislav Chernyavsky

Therefore a stable and strong Azerbaijan is very important for Russia. In the opposite case the Russian Caucasus might be faced with unpleasant destructive influence. That is why one of the most important elements of bilateral relations is the cooperation of law enforcement agencies engaged in civil security (cross-border cooperation, antiterrorist activities, suppression of drug trafficking and illegal migration) as well as strategic cooperation in the CIS regional ballistic missile defense (ABM) and air defense (PVO). Rocket and strategic interaction is little-known area of cooperation of the CIS countries in ballistic missile defense (ABM) and air defense (PVO) spheres. The Russian radar system “Daryal” deployed in Azerbaijan tracks rocket launches in the areas of the Middle East and Central Asia. Russian presence in “Daryal” depends on the settlement of the ABM issue. Azerbaijan has acquired several 3PK C-300 air defense missile systems from Russia and got an opportunity to strengthen its defense potential. Now it can complement the overall structure of the CIS PVO with the high-tech segment of defense in the central and southern regions of the Caspian Sea.

Looking to the future one can predict that Azerbaijan will play an increasingly wide-ranging role in the whole region-in economy, politics, cultural and social spheres. The greatest asset of Azerbaijan is not the notorious “oil-gas”, but macroeconomic and social stability. In essence, for Russia and the Russian Caucasus Azerbaijan is a stabilizing state. It is a very important feature and an indispensable asset for the years to come.

## Armenia without the Union: a Twenty Year Long Journey

*Good relations with Russia are vital for Armenia*

Vadim Mukhanov

*There is a direct link between the Armenian secession and the ongoing Karabakh conflict. After 20 long years, the Nagorno-Karabakh conflict remains the key unhealed rift in the Transcaucasus region.*

In 1991 Armenia, like nearly all newly independent ex-Soviet republics, was faced with the most complicated situation. In addition to independence officially declared on September 21, Armenia also got a pile of troubles. First of all a young republic was struggling to remedy the consequences of 1988 earthquake. Victims of this tragedy had to be taken care of and funds to recover the damage were to be raised. Secondly, the Karabakh conflict, that definitely had a long pre-history and background erupted right amid the weakening of the centralized power and disintegration of the USSR. Both for Armenia and for Azerbaijan this conflict became the key issue of the post-Soviet 20 years.

### Price tag – Karabakh

Armenian political elite contrary to its neighbor countries was neither obeisant nor compassionate to Moscow and following several unsuccessful attempt to force in a preferred solution for Karabakh shifted towards independence. Essentially a national movement for the reunification of Nagorny Karabakh with Armenia became a catalyst of a centrifugal trend. “Miatsum” (unity) praised by Armenian activists at the first unauthorized meeting on February 13, 1988 turned into a slogan and idea of Karabakh political campaign, that rapidly evolved into a nation-wide movement for independence.

Unfortunately the Union center was not ready to face these developments. In particular, in 1998 neither Mikhail Gorbachev nor his team managed to start a dialog with the leaders of Armenian opposition, which became one of the reasons to create Armenian All-national movement (AAM). Worsening of living standards caused complaints against the policy of Moscow that consequently boosted the popularity of autonomy and independence ideas among Transcaucasus people, becoming the most obvious in Armenia.

Ethnic cleansing and nearly official exchanges (often looking like a deportation) of refugees represented by non-title citizens for both republics also were bringing grist to the mill of independence and within 1989 turned into a system of relations between Baku and Yerevan. The exchange of patients from two

mental hospitals on the border between two countries became the peak of this ethnic madness.<sup>1</sup>

Early 1991 the threat of the Union disintegration became obvious. To prevent this from happening Gorbachev, whose power was quickly vanishing, initiated the drafting and signing of a new Union treaty which implied the delegation of wider authorities to the republics from the Center. Among all Transcaucasian republics only Azerbaijan agreed to joint the drafting of the treaty and to stay within the Union, but under certain conditions (and a key one was – urgent measures in Nagorno-Karabakh). Moscow decided to support Azerbaijani powers in the severe suppression of Karabakh movement and in January 1991 Central Committee of the CPSU resolved to undertake a special operation in Nagorno-Karabakh Autonomous Region for the disarmament of illegal paramilitaries. In return Azerbaijan on March 17, 1991 participated in the nation-wide referendum about the future of the USSR and supported its preservation within the framework of a new Union treaty while Armenia boycotted the referendum.

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**Operation “Ring” started in April 1991 clearly demonstrated the balance of forces in the conflict area: Azeri troops of riot police and militia men with the support of 23rd motor rifle division from the 4th Soviet army were fighting against Armenian militia men who were actively supported by Armenia political leadership. In reality this operation turned into a minor civil war with the deportation of population and colonization of freed space by Azerbaijani refugees. In total several thousand people were deported during this operation. August events in Moscow put an end to this operation and since September 1991 Soviet troops didn’t interfere into the conflict that went on expanding.**

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The subsequent disintegration of the USSR put the conflicting parties face to face in armed confrontation. That’s why rushing expansion of the inter-ethnic conflict and helplessness of the Union center became the major reasons for Armenia to secede from the USSR.

### Running voyage

When Azerbaijan and Armenia got independence, the conflict unresolved within the USSR became inter-state and international by itself. New states were hastily recognized by the international community within the borders existent in the USSR. A full-scale armed conflict that flared up in 1991 was terminated only in May 1994 with the signing of agreements on the cease fire regime and beginning of peaceful negotiations under the aegis of OSCE Minsk group (co-chaired by Russia,

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<sup>1</sup> De Vaal. Black Garden. Armenia and Azerbaijan between peace and war.

France and USA). By 1994 both conflicting parties having suffered casualties and material losses were exhausted by the war.

Contrary to the neighbor countries in the region Armenia left the Union in 1991 following the Soviet legislation on secession.

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**All key problems of the republic stem from the moment of its independence and are still present.**

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It should be noted that nearly all key problems of the republic stem from the moment of its independence and are still present. Among them – Karabakh and related thereto armed struggle with Azerbaijan, that doesn't have even diplomatic relations with Yerevan, absence of near-border cooperation with neighbors due to the closed border with Turkey<sup>2</sup> which causes considerable losses to Armenian economy and affects the social and economic situation in the republic.

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**Beginning of independence Armenia found itself in a blockade that significantly impacted its economic development. All of the above makes the foreign policy of the country easy to predict – it can successfully deal only with two large regional players – Russia and Iran.**

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This way, right from the beginning of independence Armenia found itself in a blockade that significantly impacted its economic development. All of the above makes the foreign policy of the country easy to predict – it can successfully deal only with two large regional players – Russia and Iran.

Complicated social and economic situation, extremely low living standards, considerable migration (both to neighbor countries and to Europe and America) which resulted in a noticeable reduction of population, registered or really residing in the country, mainstreaming and growing attractiveness of the opposition while the situation in the republic is worsening clearly show how difficult the position of Armenia is. By the official data nearly a third of population lives below the poverty level.

It should be pointed out that this hard social and economic situation (first of all – energy crisis) was one of the main reason why the regime of the first President Levon Ter-Petrosyan failed and was replaced by a popular Karabakh leader Robert Kocharyan (1998). It is symptomatic that all political elite of the contemporary Armenia is closely related to Karabakh – by family, ideology or policy. The uprising of Ter-Petrosyan in 1998 started from “Karabakh” committee. Kocharyan and Sargsyan represent a so called “Karabakh” clan, because their political luggage was accumulated in Karabakh and later on moved to Yerevan.

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<sup>2</sup> Ankara took a pro-Azerbaijani position in Karabakh conflict and closed a border with Armenia out a pressure on Yerevan.

## Russia and Armenia today

Relations with Russia are vital for the proper existence of the republic. They were such in the 1990s; they are such today and shall remain in top priority at least in the near future. It is difficult to overestimate the Russian factor in the domestic and foreign policy of Armenia, in the aspects of safety and culture, economy and education.

Russia played the key role in the cessation of the military phase of Armenia-Azerbaijan conflict. Fundamental documents establishing a fragile peace in the region were signed with the active involvement of Russia. Russia is the cementing joint in OSCE Minsk group that acts as an intermediary trying to put the conflicting parties to the negotiation table (meeting in Meiendorf, Sochi, Astrakhan and Kazan). Russia, to a large extent, is a guarantor of security for Armenia surrounded by enemies. A recently signed agreement on the extension of stay for 102nd Russian military base till 2044 provides a direct confirmation thereto. Russia was directly involved in the establishment of Armenia-Turkey dialogue finalized by the signing of Zurich protocols.

The Russian Federation is the largest foreign economic partner, lender and investor for Armenia. By experts' estimates Russian investments make about 60 per cent of all foreign investments in the republic. There are more than 1400 companies with Russian participation in Armenia.

Numerous large Russian companies and corporations are active on Armenian market. Cooperation in transportation, energy, telecommunication, banking and civil construction is noticeably successful.

Today Armenia is one of the closest allies and partners of Russia in the post-Soviet space. It is a member of CIS, CSTO, it joint the resolution on the creation of Collective Rapid Deployment Forces adopted soon after the August war (2008) by the CSTO summit in Moscow. It's an outpost of Russian presence in Transcaucasus, with a high value for Russian policy in the region.

Armenian expatriates in Russia play a considerable role in bilateral relations. It's the most numerous and the largest community of expats in the world and reaches the size of population in Armenia.<sup>3</sup> The expats are the main and regular channel of communication with Russia and one of the key sources of cash inflows.

In conclusion it should be highlighted that Russia is a key strategic partner for Armenia from the political, military and economic viewpoint. And no major changes are visible in the short or medium term perspective.

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<sup>3</sup> By expert assessment nearly one third of population is indifferent to politics due to the dependence from the regular cash transfers from Russia.

## Russia and Belarus – Doomed to Be Together

*Despite all our quarrels – we are fraternal people and can't live  
without each other*

*Kirill Koktysh*

*Russia and Belarus (former Belorussia) are just doomed to be together. The current economy of Belarus still can't survive without Russian market – both in view of the access to energy and sales of products. This alone is enough to make a sound pragmatic foundation for the further development of bilateral relations.*

### “Vendee of perestroika”

The leadership of the then Belorussia didn't seek to leave the USSR, it simply didn't think of any other existence but being a Union member. Moreover Minsk was so blind and fully ignored the changes going on in the other parts of the USSR that after the apt phrase of the writer Ales Adamovich it became known as “Vendee of perestroika”<sup>1</sup> (in the fervor of the Great French Revolution this town was a spot of anti-revolutionary revolt). By putsch of 1991 Belorussia was the most “Soviet” country in view of the inherence to Soviet values. And even the opposition already existing in the country was not much of an obstacle. The People's Front that in 1989 untied the absolute majority of the Belorussian society pursued only cultural goals and by 1991 with efforts of its leader became a radical organization, antagonized people and turned harmless to the authorities.

Disintegration of the USSR came as a great surprise for Belorussian leadership. Belorussia was nearly the last of Soviet republics to adopt the declaration of independence. So, Belorussia was actually pushed into the independence by the centrifugal processes in the USSR.

Of course, there were due reasons for such a conservative attitude. Belorussia at the time was “an assembly shop” of the Soviet Union and totally depended on the Union market both for the supply of primary materials and sales of finished products. In addition, this situation guaranteed rather good living standards to local population. Consequently any threat to lose this market was a nightmare for the ruling elite of Belorussia.

### Running voyage

After the first drop in the living standard in early 1990s, that was quite harsh and painful, Belarus still found the formats allowing combining the independence with customary social standards. Initially, the search for the way out was easily

<sup>1</sup> Adamovich A. Oglyanis okrest! // Ogonek. 1988. No. 39. Pp. 28–30.

predictable – it was the access to the Russian market, which as already stated was the key source of raw materials and sales. The transit status of Belarus has largely simplified the search. The republic was and till the end of 2011 will remain the main transit country for Russian oil and gas. In average up to 80 per cent of oil and about 205 of gas sold by Russia to the West is supplied through the territory of Belarus.

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**A paradoxical situation emerged in contemporary Russia–Belarus relations – Russian investments that ideally were to link Belarus to the donor accelerated the understanding that Belarus is a separate and culturally different subject.**

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It was the dependence of the Russian export of hydrocarbons from Belarus and not the industrial potential of the country that played a key role in the generous subsidies provided by Moscow to Minsk. During the independence time Belarus received from Russia about \$60 billion. In different years these investment made from 30 to 55 per cent of Belorussian budget and in fact were royalties paid by Russia for the safe transit of hydrocarbons. Thanks to these investments President Aleksandr Lukashenko managed to restore Soviet social standards in a new post-soviet environment.

And the restoration of these standards, done with Russian money, but on behalf of Lukashenko, was followed by the transformation of independence, which guaranteed the power to the country leader, into a national super-value. Thus emerged a paradoxical situation in contemporary Russia–Belarus relations – Russian investments that ideally were to link Belarus to the donor accelerated the understanding that Belarus is a separate and culturally different subject.

This alienation didn't allow Russian capital to take a prominent place in Belorussian economy. Privatization didn't take place and occasional transactions directly made between Russian business and state authorities were often subject to unacceptable conditions and defending of rights were getting more and more difficult. As a result Russian capital decided that investment into domestic companies, substituting Belorussian products, was more profitable. This turned two mutually complementing economies into competitors, resulting in the understandable reduction of Belorussian share on the Russian market and consecutive reduction of industrial scale in Belarus. No qualitative modernization was possible in these conditions. In the long run the independence put the industrial potential of Belarus well down.

### Dissatisfaction with Russia is uniting

Events around presidential elections in December 2010 demonstrated that Belarus is actually divided. Minsk is in the center, being inter alia the point of concentration for the brain power of the republic, and generally oriented to Europe

and European values. But the capital is surrounded by provinces with agrarian culture, mainly oriented on the sub-political traditional values.

This separation didn't appear today, but it's today's problem that those two parts since December 19, 2010 are in a "tacit conflict" with each other, which is demonstrated by the cultural rejection of relevant values. The reason is clear – after the severe squad of protest demonstration, Lukashenka faced a persistent antagonism of Minsk and turned his appeals to the provinces.

The key issue of today's attitude of Belarus towards Russia is a negative perception of the latter by both conflicting parties – Minsk and provinces, though for different reasons. Minsk sees Russia as the agent conserving the current abnormal situation in Belarus – Moscow subsidies de-facto contribute to strengthening of the authoritarian regime and prevent the long-awaited democratization of the country. The provinces, on the contrary, are ready to see the demonstration of Russian neo-imperialist in the attempts to reduce the amount of subsidies, what Russia is dedicatedly and successfully is doing since 2006.

This goal is pursued also by Russian projects of bypassing oil and gas lines – BPS-2 and North Stream that should be commissioned by the end of 2011. As a matter of fact, with these projects Russia converts a current mutual dependence into a unilateral dependence of Belarus from Russia. No doubt, these projects are regarded by the loyal to power Belorussian community as a devious policy of Moscow aimed, in the long run, to allow Russian oligarchic capital to buy up the Belorussia economy for a peanut. Of course, the public opinion doesn't care that the price of bypassing lines is above the value of the large portion of Belorussian economy and the latter is simply of no interest for the buy up.

### Hostile Belarus

The issue for the post-Soviet Russia is its policy towards post-Soviet states: Russian interests on the post-Soviet space are represented by separate clusters of state and business pressure groups that are difficult to put together into a logical and political unity. And Belarus is no exception.

In the last decade of the XX century the Union became the factor allowing the Russian population to put up with the bitter failure of reforms in early 1990s: the demonstration of the integrating attractiveness returned to Russia the self-esteem and confidence. For this reason Belarus for a long time remained on the Russian list of special, really fraternal countries.

To render the justice – the human aspect of the Union that was fully employed contrary to political and economic aspects really strengthened the warmth of international relations. Mutual acknowledgment of proprietary and other rights of Belarusians in Russia and vice versa was the step that built a strong foundation for bilateral relation on the personal level.

But even this level of affinity doesn't protect from unfavorable changes. Traditionally limitrophe policy of the Belarus leadership aimed to get profits from

the balancing between Russia and the West overlaid with the insatiable urge to convert the fraternal relations into economic advantages to the maximum possible extent at a certain moment brought the expected result – the loss of mutual trust and several oil and gas wars. As a consequence from 2006 Russia dedicatedly started to invest into the minimization of its dependence from Belarus, from the transit aspect up to the military domain. Significant results of these efforts can be seen today.

This success allowed the foreign policy of Russia to move away from the unconditional support of Belorussian regime on the international arena. Sergey Lavrov at least in four statements made between January and August 2011 expressed the solidarity with EU negative assessment of Belorussian authorities' actions undertaken for the events of December 2010 and afterwards.

Public opinion in Russia also changed. The poll conducted in summer 2011<sup>2</sup> for the first time detected the readiness of Russians to consider Belorussia as a hostile country, though on the statistically negligible level of 2 per cent.

### Can't be apart

The current economy of Belarus still can't exist without the access to Russian market. Mere this creates a solid pragmatic foundation for the further development of bilateral relations.

Belarus together with Russia joined a new Eurasian integration project that has to foster the mutual interests of the countries. One of the key components in this project is the Customs Union, which among other things must ensure fast and simplified transit of goods between Asia (China) and Europe. There will be just one customs office on all that huge space. It established yet another pragmatic reason for friendship between Russia and Belarus.

In other words the countries are doomed to be together and not because we can't choose the neighbors. But the format of this common future is not yet clearly defined and may cause conflicts. The conflicts can have many different roots – from the alteration of old parameters of interaction (due to the commissioning of BPS-2 and the North Stream) up to the creation of principally new configurations (Eurasian Economic Union). Foreseeable pragmatic bargaining can and shall be superimposed on the existing social and cultural stereotypes and prejudices. In this case the paradoxes of the past – when Russian subsidies to Belarus instead of strengthening pro-Russian mood contributed to the official anti-Russian propaganda and other mass phobia – can reappear but on a new level.

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<sup>2</sup> For details see URL: <http://bd.fom.ru/pdf/d28sur11.pdf>

## Post-Communist Bulgaria: Two Decades of Transformation

*From sixteenth republic to twenty-seventh member*

*Alexander Vasilyev*

*Of all former Soviet-bloc states, Bulgaria was the most affected by the Union's disintegration and subsequent forced reorientation of its policy and economy towards the West. But now a host of objective reasons are dictating that the country should restore relations with its former ally, now called Russia.*

The dissolution of the Soviet Union and socialist camp, which took place twenty years ago, became one of the most significant and dramatic events of the 20th century. The radical change of the entire ideology, foreign and domestic policy, economy and even people's views of life, severely affected everyone involved in the events. Bulgaria was one of the socialist countries which suffered the most, since it was heavily oriented towards the Soviet Union both economically and politically. What did Bulgaria gain and lose by cutting ties with its former partner, in what state are Bulgarian-Russian relations and what prospects do they have?

### Disintegration of Soviet Union and choosing a new course

As opposed to Hungary, Czechoslovakia, and Poland, which attempted to modernise the model of socialism imposed by Moscow, or Romania that was an active "dissident" within the socialist commonwealth, Bulgaria had been considered the Soviet Union's most loyal ally immediately upon the establishment of the Council for Mutual Economic Assistance (Comecon) and the Warsaw Treaty Organisation. Cooperation within the framework of this and other organisations was complemented with cultural and linguistic closeness and long-standing historical ties between the countries. Bulgaria was not called the "sixteenth republic of the Soviet Union" for nothing during the Soviet years.

The Soviet Union's aid meant a lot for Bulgaria: more than 300 industrial enterprises were built in the country during the post-war period; the Soviet Union accounted for up to 60 per cent of Bulgaria's export; the Union stimulated the development of agriculture and supplied hydrocarbons and fuel to Bulgaria at significantly reduced prices. That's why most Bulgarians did not support the directive on re-orientating towards the West as soon as possible and decisively abandoning the socialist past, which dominated in Central and Eastern Europe after the victories of "velvet revolutions."

As a result, the revolution went smoothly in Bulgaria and ended up with the toppling of the top echelons – at the November 1989 plenary meeting of the

Bulgarian Communist Party's Central Committee, Todor Zhivkov, the party's chairman, was swept from office by his colleagues. They started reforming the political and economic systems, and the Bulgarian Communist Party was renamed to the Bulgarian Socialist Party and became one of the country's leading political forces. Its leaders obviously did not strive for any abrupt moves in relations with the Russian Soviet Federative Socialist Republic (RSFSR), its eastern partner. There was even a discussion held about transforming the Council for Mutual Economic Assistance into a new organisation and modernising the Warsaw Treaty.

But there were also forces in Bulgarian society that were geared-up for radical market reforms and immediate integration into European and Euro-Atlantic structures. They also were eager to break relations with RSFSR as soon as possible. They united into the centre right Union of Democratic Forces which became a long-term opponent of the Bulgarian Socialist Party.

The Citizens for European Development of Bulgaria (GERB), the current ruling party, is the Union's direct ideological successor. The dualism of Bulgaria's policy regarding Russia depended, to a large extent, on which political party – the socialist or the centre right – was in power. But even the politicians themselves had to take into account the two positions - the pro-Western and the pro-Russian – which existed in the public opinion. For instance, even the most ardent Bulgarian Atlanticists had to constantly make statements that the country's course towards joining NATO is by no means directed against Russia.

### Choosing a new ally: was there any alternative?

Bulgaria, as most post-socialist states of Central and Eastern Europe, hastened to declare its aspirations to integrate into the Western economic and political structures even before the Warsaw Treaty Organisation and the Council for Mutual Economic Assistance officially dissolved in 1991.

In November 1989, it expressed its willingness to become a member of the European Council, and one year later it applied for EU membership – though an official full membership application was submitted in December 1995. In many respects this was a formality since Bulgarians were in no hurry to fulfil all the requirements necessary for accession, and to carry out radical economic reforms. Some politicians of the Bulgarian Socialist Party even spoke of Bulgaria's own path of development.

Bulgaria's accession into NATO was subject to heated discussions within society. Having joined the Partnership for Peace (PfP) programme, socialists did not hurry to draw up an application for a full-fledged NATO-membership, saying that the Organisation for Security and Co-operation in Europe (OSCE) has sufficient mechanisms to ensure security in Europe. In his criticism towards the socialists' course, Bulgarian President Petar Stoyanov referred to experiences of other former socialist countries, which had first oriented towards Europe and were

reaping the fruits of such policy. “For Bulgaria the chances to recover from the crisis are associated with accession to the European Council, and the only way to the EU is through NATO membership,” Stoyanov said.

The economic crisis, which shook the country in 1996–1997, had a decisive impact on making the final choice. The choice, though, was made later than in other central and eastern European states. Bulgaria had to prove its loyalty to NATO during the Kosovo crisis; it had to conduct a “shock therapy” in 1997 to demonstrate its loyalty to the European Union. Incidentally, Slovenia had to go along the same path to belatedly join both organisations.

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**Amidst the 1990s economic crisis in Russia and its escalating disintegration, the West was the only place where Bulgaria could find means for a much needed and long overdue modernization of its economy.**

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Naturally, the following question arises: did Bulgaria have any alternatives? Perhaps, it didn’t. And this had nothing to do with illusions of integrating into the “prosperous western society” fast. Amidst the 1990s economic crisis in Russia and its escalating disintegration, the West was the only place where Bulgaria could find means for a much needed and long overdue modernization of its economy. And how could it be possible to look up to a state that requested the West for credits and humanitarian aid?

“We are choosing not between the West and Russia, but between the West and nothing,” a Balkan political scientist said at the time. The only thing the United States and its allies were left to do was to do their best to prevent the post-socialist states from arranging a multi-vector policy in joining NATO, at first, and then the EU.

### Achievements and costs

Despite the difficulties Bulgaria went through, by the end of the 21st century’s first decade, Bulgaria achieved positive results in reforming the economy, found its export niche on foreign markets, and created an environment for the inflow of foreign investments.<sup>1</sup>

But, following the decade of reforms, the struggle for western markets resulted in the reduction of Bulgaria’s trade turnover by 200 per cent. Export fell by 240 per cent. If in 1992 Bulgaria’s trade turnover amounted to 30.3 per cent for the EU countries and Russia’s share was 20 per cent, in 1999, the EU countries’ share grew

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<sup>1</sup> International Trade in Bulgaria. URL: <http://www.globaltrade.net/international-trade-import-exports/m/c/Bulgaria.html>

by 51.5 per cent and Russia's share dropped to 14.2 per cent.<sup>2</sup> In absolute terms, the trade turnover between Bulgaria and Russia fell from \$15 billion to \$1.2–1.5 billion. Fields oriented on the Soviet market, such as electronic engineering, petro-chemistry, oil refining, military industrial complex, agriculture, were affected the most. The negative balance in foreign trade became a distinctive feature of the country's economy. The country's GDP fell by 44 per cent and the real income of the population dropped by more than 50 per cent.

As for the living standards, Bulgaria experienced severe recession, and reached the rates of 1989 only in 2004. Bulgaria still holds last place among the EU states in terms of a per capita GDP (40 per cent of the average EU level). Partial fulfilment of Brussels' requirements became the reason for Bulgaria's postponement of plans to join the Schengen area and enter the euro-zone.

A high price also had to be paid for getting an illusion of security from NATO. Just Bulgaria's joining the imposition of sanctions against the former Yugoslavia has caused damage of up to two billion Euros to its economy, not to mention the expenses on the re-equipment of its military forces to meet NATO standards and participation in NATO operations.

### Restoring ties

The socialist government started pursuing a course of restoring relations with Russia in the mid-1990s. But the growth of the Russian-Bulgarian trade turnover became noticeable only after the countries' economies had finally stabilised (*see Table 1*). The highest rates were achieved in 2008, amounting to 4.4 billion Euros, but eventually they declined due to the onset of the global financial crisis; in the first three quarters of 2011, the rates amounted to 3.44 billion Euros. However, the foreign trade balance was not in favour of Bulgaria (*see Table 2*). In 2010 Russia became the second largest investor in Bulgaria. LUKoil and Mechel, producing oil and steel respectively, became the main investors.

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**Interests of Bulgaria, in its turn, are concentrated around Russia's energy resources and raw materials, implementation of energy projects, and the inflow of investments in different economic spheres.**

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In 2007, three huge projects, which could raise Russian-Bulgarian relations to a totally new level, were initiated. They were: laying the South Stream gas pipeline and the Burgas – Alexandroupoli oil pipeline via Bulgaria, and constructing the

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<sup>2</sup> Central and Eastern Europe in the Second Half of 20th century. In three volumes. Volume 3: Transformation of the 1990s. Part 2. Moscow, Nauka, 2002. P. 62.

**Table 1. Russian-Bulgarian trade volumes in 1995–2010, mln Euros**

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1290.6	1296.8	1258.6	908.8	1040.6	1726.0	1627.2	1233.2	1208.2	1469.8	2294.2	3175.1	3737.4	4430.7	2614.5	3292.2

Source: [http://stat.bnb.bg/bnb/dd/new\\_import\\_coun.nsf/fsWebIndexBG](http://stat.bnb.bg/bnb/dd/new_import_coun.nsf/fsWebIndexBG)

**Table 2. Bulgarian foreign trade volumes, mln Euros**

	Export			Import		
	2009	2010	Growth in per cent	2009	2010	Growth in per cent
Total	11699.4	15561.4	33.0	16875.6	19245.1	14.0
EU countries	7596.7	9469.3	24.7	10118.2	11256.4	11.2
Russia	292.0	441.3	51.1	4424.0	6115.0	38.2

Based on the data provided by the Bulgarian National Statistical Institute.

Source: URL: <http://www.nsi.bg>

Belene Nuclear Power Plant. But Prime Minister Boyko Borissov’s government, forced to constantly try to please Brussels and Washington, started delaying the deadlines.

On November 30, 2011, it was decided to grant South Stream’s Bulgarian part the status of a site of national importance. But a week later Bulgaria announced its withdrawal from the Burgas – Alexandroupoli project (although, a number of Russian analysts<sup>3</sup> consider the step an element of an auction). It is obvious that Bulgaria’s positive decision on these projects will be a gauge of the readiness to expand cooperation with Russia.

### Prospects of Russian-Bulgarian relations

There is no doubt that the potential of Russian-Bulgarian relations has not been used to its full potential. First and foremost, trade and economic relations, based on mutual interests, will be their driving force. Bulgaria is important for Russia, first of all, in terms of routes for transporting Russian hydrocarbons and implementation of regional transport projects. Besides, up to 300,000 Russians annually visit Bulgarian resorts; many Russians display interest in property in the country.

Interests of Bulgaria, in its turn, are concentrated around Russia’s energy resources and raw materials, implementation of energy projects, and the inflow of investments in different economic spheres. The Russian market is very attractive for

<sup>3</sup> For details see URL: <http://www.energy-experts.ru/eng/comments304.html>

■ Alexander Vasilyev

a plethora of Bulgaria's traditional industrial goods. Interregional ties, especially in the small and medium-sized business sector remain a substantial reserve for developing trade and economic cooperation.

Cultural, scientific, and educational projects continue to be in the domain of particular interest for Bulgarians. But this interest should not be overrated. Of course, there are numerous groups of friendship with Russia engaged in cultural and educational activity but, in general, Bulgarians' knowledge of the Russian language is getting worse. Russian was withdrawn from the school curriculum as a compulsory subject long ago, and the number of experts in Russian language and literature does not exceed 400 persons a year.

An entire generation of Bulgarians who see their future in the Euro-Atlantic community has been raised, but empathy between the Russian and Bulgarian peoples has nevertheless endured. Recent research by the Communitas Foundation showed that Bulgaria is the European Union's most pro-Russian country: 88 per cent of its citizens favour Russia, and only 10 per cent are against it. Russians, in their turn, favour Bulgaria much more than other Central and East-European states: according to the Public Opinion Foundation, 67 per cent of those polled called Bulgaria a "friendly nation".

Nevertheless, an economic interest based on healthy pragmatism, rather than the much-talked about cultural and linguistic proximity, will be stimulating the development of Russian-Bulgarian relations in the long-term perspective.

# What Happened with Georgia?

*Nikolay Silaev*

*Over the past twenty years Georgian political elite has failed to implement a national-government project modeled after the countries of Central and Eastern Europe. Now Georgia has to think of a new project.*

## Restoring independence

Tbilisi will not mark December 8 – the twentieth anniversary of the meeting in Bialowieza Forest at which the representatives of the core republics of the Soviet Union certified its death. Nor will they celebrate December 21 when the other republics accepted this fact. They are not likely to take any notice of December 25 when the red flag over the Kremlin was replaced by the Russian tricolor.

The history of Georgian independence began on April 9, 1989 after the suppression of the meeting on Rustaveli Avenue. From that time on, the slogan of state independence ceased to be marginal for Georgians. In 1991 perhaps only August became memorable for Georgians due to the nervous reaction of Zviad Gamsakhurdia to the Moscow putsch: at a certain point of time the President was concerned that the perpetrators of the coup were really ready to abolish the liberties of perestroika. By the time the collapse of the Soviet Union was made into law Tbilisi could not care less because of the armed conflict raging in South Ossetia for a year; Gamsakhurdia was under siege in his own palace by the armed opposition and his time before the capitulation and exile was running out.

Was there a project of state sovereignty of Georgia? The answer is both yes and no. Yes, because Georgia had a long-standing tradition of statehood lost in recorded history, because independence was discussed in the dissident circles as far back as the 1970s. No, because the path towards acquiring sovereignty was not part of any project but rather a spontaneous and almost an uncontrollable process.

## Disappointing reality of independence

The reality of independent existence turned out to be disappointing. As a result of three civil wars (in Abkhazia, South Ossetia, between Gamsakhurdia's supporters and the State Council) the transformational economic downturn in Georgia amounted to 70 per cent of the GDP (as in Tajikistan) and was the longest in the whole post-Soviet space. Despite the impressive growth rates in the 2000s, the country has not yet coped with the aftermath of the downturn. Like many other

post-Soviet countries, Georgia is losing its population – over the period between censuses of 1989 and 2002 the number of its residents has decreased by a million (by one fifth). Over the recent years there has sometimes been talk of returning emigrants but the scope of this process does not tally with that of the exodus.

However, one should give credit to the Georgian elite for the fact that despite the acute economic crisis and almost complete collapse of statehood, for the last twenty years they have been trying to enforce one and the same doctrine with commendable consistency. The doctrine has had its critics and opponents but they only rarely managed to slow down the movement in the direction chosen by the majority of the elite.

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**The ideal of the Georgian political mainstream is a democratic unitary state within the borders of the Georgian SSR integrated into Western security structures.**

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It does not really amount to much. The ideal of the Georgian political mainstream is a democratic unitary state within the borders of the Georgian SSR integrated into Western security structures. In Central and Eastern Europe and even in the Balkans this unpretentious ideal has been attained by different countries – from Croatia to Estonia. And they were not hampered by their own ethno-political “skeletons in the cupboard” which for twenty years have been poisoning the life of Georgia. The idea of NATO membership was expressed on the political level in Georgia as early as in the late 1980s; at the end of the 1990s Eduard Shevardnadze promised “to knock on the Alliance door”, so Mikheil Saakashvili came to the scene already set by his predecessors. All these years the words about democracy and market economy have been something taken for granted. This ideal included radical and emotionally loaded distancing from Russia, and the “European choice” was viewed as anti-Russian.

### Mistakes in calculation

If one remembers what Saakashvili began with, then all the goals seemed attainable. Within a few months he succeeded in achieving what his predecessor had failed to do for years –restored control of the central government over the whole territory of the country with the exception of Abkhazia and South Ossetia, destroyed the armed gangs, silenced and weakened the old bureaucratic clans. The rest seemed a matter of technique. The world possessed huge amounts of money it did not know what to do with. One had only to carry out elementary liberal reforms – less government regulation, higher position in international ratings – even splatters of pre-crisis global cash flows of Georgia would have been sufficient to ensure decent economic growth rates. We can also add to that the effect of the low

base after a deep recession of the 1990s, enthusiasm of the people and the launch of transit oil and gas pipelines.

Further on – to take advantage of the growing interest of the West which had almost completely abandoned all hope of democratic transition in the post-Soviet countries, but luckily at this time “the Rose Revolution” occurred. Just pronounce the right words, take the correct position in the polemics about “the old” and “the new” Europe, and Georgia would be literally dragged into NATO. Russia is against the expansion of the Alliance, but the Georgian leadership has been used to the idea that Moscow would have to accept the fait accompli. Moreover, Ukraine was going to join NATO and it encouraged the Georgians still further.

The economic growth was far from impressive: industry and agriculture were stagnating, trade balance deficit was getting worse. In the years of Saakashvili’s rule authoritarian elements were becoming more pronounced and after 2007 they became quite evident. Georgian liberal intellectuals who set the tone in politics could comfort themselves with the fact that the process of integration into Western international institutions would in itself be a catalyst of positive domestic political transformation. The most important thing as was said in Ukraine, is “to crawl up to the threshold” of Europe. With regard to the prospects of the national production, “the market hand” would somehow sort it out.

There was one but very important vulnerable point in this strategy. The devised plan was adventurous or, strictly speaking, its success depended to a critical extent on the factors beyond Tbilisi’s control. What if the world ran out of spare money? And if Russia would oppose the NATO’s expansion in a more decisive way than it was expected in Washington and Brussels?

By the beginning of 2006 the problem of Abkhazia and South Ossetia through the efforts of Tbilisi had been built in the context of Russian-American confrontation in respect of NATO expansion. The master plan of the Georgian leadership, judging by their actions, was the following: to transform the Georgian-Abkhazian and Georgian-Ossetian conflicts into the Georgian-Russian conflict and then upgrade the Georgian-Russian conflict to the Russian-American one. Then the energy of Moscow-Washington confrontation could be used to attain Georgian national goals.

It does not mean that Tbilisi was in fact preparing to wage a war. It was a game of character testing: which side would be the first to surrender. The mistake in calculations was that Russia had nowhere to retreat: should it “swallow” military action in South Ossetia it would no longer be consulted on any matter relating to European and global security.

As a result there was no restoration of territorial integrity within the borders of the Georgian SSR and now Georgia is farther removed from this goal than, say, in July 2008. The integration into the NATO structures is still on the agenda; however it has actually been put off for an indefinite period. Nobody in the Alliance would want to see close contact of Russian and NATO troops on the borders of Abkhazia and South Ossetia.

## Collapse of the Georgian strategy

The economic recession in Georgia was mitigated by a large-scale foreign economic assistance which amounted to  $\frac{1}{3}$ – $\frac{1}{2}$  of the GDP. Despite this assistance in 2009 the country had a downturn of 4 per cent of the GDP while in 2007 the growth rate was 12 per cent. The funds allocated after the war by the Brussels Donors Conference are coming to an end. The government is trying to compensate for the losses by raising taxes and selling the state-owned assets on the world exchanges, but it is unlikely to be hugely successful given the overall turmoil in the economies of Europe and the USA. Foreign investments do not amount to much. There are doubts about the quality of the institutional environment for doing business. In April 2011 economist Nodar Javakhishvili, former head of the National Bank of Georgia, noted a curious pattern: a considerable recession-related reduction in the prices for essential commodities of Georgian imports on the world market was accompanied by a slight increase in the prices for the same goods on the domestic market. At the very least, it is a sign of cartel collusion of importers and monopolization of the consumer markets, and the question of who has got hold of the margin is anyone's guess (not the budget for sure: against the background of growing import income tax revenues dropped by 13.2 per cent as compared with the level of 2008).

As to democracy things are looking bleak. Saakashvili has managed to get amendments to the Constitution which greatly widened the powers of the prime-minister. It is generally agreed that he intends to change the President's chair for that of the Prime-Minister after the expiration of his constitutional term of office. The political machine is no less effective than in other post-Soviet autocracies: hardly had businessman Bidzin Ivanishvili mentioned his political ambitions, when he was deprived of Georgian citizenship, with his business falling under the close scrutiny of the law enforcement agencies.

In other words the strategy which the leadership tried to carry out for over twenty years has failed. It does not mean that Georgia is on the threshold of a new revolution and any minute now everything will change. Actually, the political regime created by Saakashvili's team is relatively stable. More or less decent existence can be sustained by simply serving transit flows to Transcaucasia. The unfavorable trade balance is offset by remittances of migrants working abroad. With the political opposition marginalized, mass demonstrations of the discontented will be dealt with by the police loyal to the government.

A different matter is that this is the existence by inertia. Sooner or later the national-state project will have to be updated. And then it would be necessary to answer those questions which earlier seemed irrelevant. Would it be possible to ensure sustained economic growth without the development of national industry? Would it be possible to develop production without access to foreign markets and primarily to the Russian one? How to ensure security of the country if joining the NATO would be actually impossible? How to match the European choice with

friendly relations with Russia? And the last but not the least, how to build relations with the Abkhazians and the Ossetians since it turned out to be impossible to regain control over Abkhazia and South Ossetia by force?

The situation is such that all these questions can be answered in the context of Russian-Georgian relations. Even before August of 2008 in Georgia part of the political elite discussed the prospects of attracting Russian investments into the country regarding it as a safeguard of peace. Even now Russia may become a source of investments especially if the plans of economic integration in the post-Soviet space recently laid out by Vladimir Putin are put into life. With regard to Abkhazia and South Ossetia, any settlement of this problem for Georgia (except, naturally, simple recognition of the two republics) is impossible without a dialogue with Moscow. Naturally that guaranteeing security also requires such a dialogue.

### Pause in relationships with Russia

Russia has taken a break in relations with Georgia having stated that it would not speak with the present leadership of the country. In many ways it is a justifiable position since Moscow has had such an experience in relations with Saakashvili which does not inspire any enthusiasm. Besides, over the last several years Russia has been successful in relations with its immediate neighbors-Ukraine, Poland, Azerbaijan (the list could go on). Against this background strained relations with Georgia do not seem critical.

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**The Russian side is unlikely to come up with any official public initiatives until Saakashvili remains in power.**

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However, there are at least two factors which would give Moscow an impetus to search for solutions in this area. First, plans of economic integration in the Caucasus would not work until the railway line through Abkhazia was closed. Second, Georgia remains a neighbor, with the common border going along the Caucasus with its dangerous northern slopes. The Russian side is unlikely to come up with any official public initiatives until Saakashvili remains in power. But the search for contact points and possible future compromises on the level of experts and the public will continue with increasing vigor.

# Russia and Kazakhstan: Twenty Years of Sovereign Cooperation

*Where friendship is strong, things go well*

*Vyacheslav Dolgov*

*Kazakhstan was not among the Soviet republics seeking the collapse of the Soviet Union. However, twenty years of independence have turned it into a state which fares well politically and economically continuing to focus on cooperation, above all with Russia.*

## “Borderland” of the USSR

In the Soviet Union the Kazakh Republic was a typical “borderland” which was governed by a Moscow “ruler” – the Republic’s Russian Second Secretary of the Communist Party.

Moscow devised plans of economic development of the Kazakh SSR which after reclaiming the virgin lands was known as one of the “cereal granaries” of the country, rich in mineral deposits: Ekibastuz coal, Mangyshlak oil, Karachaganak oil and gas condensate plus the related industries. On the territory of the republic were located large military training grounds including the nuclear one near Semipalatinsk and also the Baikonur spacecraft launching site.

## When the USSR collapsed

Management by decree from the Center, concentration of real power in Russian hands did not make the national elite happy. The December (1986) events in Alma-Ata most clearly demonstrated the discontent of the titular nation. Thousands of Kazakhs took to the streets of the capital to protest against the appointment of a Russian party leader as the First Secretary of the Republic’s Communist Party. The riots were suppressed but the underlying reasons remained unsolved.

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**The President of Kazakhstan was a steadfast supporter of political and economic reforms in the USSR.**

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Certainly Kazakhstan reacted positively to the Union Republics’ desire for independence and in December 1990 the Declaration on State Sovereignty was adopted. However, the Prime Minister and then President of the Republic N. Nazarbaev understood that Kazakhstan could hardly survive without the Russian economic support – at least at the initial stage. Therefore Alma-Ata

took full advantage of the joint statements made by Presidents B. Yeltsin and N. Nazarbaev in August (1991): “On Guarantees of Stability of Sovereign States” and “On Common Economic Space”.

The President of Kazakhstan was a steadfast supporter of political and economic reforms in the USSR. The fact that the negotiations on the Draft Union Treaty in Novo-Ogaryovo near Moscow were thwarted and that the meeting in the Bialowieza Forest in December 1991 was held by the Presidents of Russia, Ukraine and Belorussia without N. Nazarbaev hurt the political ambitions of Kazakhstan’s leader, but those were difficult times and it would not have been proper to take offence. N. Nazarbaev got the leaders of the former Soviet Republics to convene a summit meeting in Alma-Ata on December 21, 1991, where it was decided to establish the Commonwealth of Independent States (CIS). After that on December 26, 1991, the Supreme Soviet of the Republic of Kazakhstan proclaimed sovereign independence of the Republic.

### The first steps taken by sovereign Kazakhstan

Formation of the statehood in Kazakhstan started with “the privatization of power” by the national elite. The republic witnessed speedy “kazakhization” in politics and economy, education and science, culture and art, in short – in all the spheres of the country’s life. This resulted in a mass exodus of Russians and other Slavic people from Kazakhstan. In the early years of independence about five million people left the country, those who in the Soviet times had been sent there to tap the virgin lands and natural resources. The Kazakhs took hold of the absolute majority of leading positions in all echelons of power. The Russian presence in them was purely nominal and strictly regulated.

In order to avoid the negative consequences of “kazakhization” the leadership of the republic had to speedily restore the traditional inter-ethnic and inter-confessional consensus by raising the prestige of the Russian Orthodox Church and setting up the Assembly of the Peoples of Kazakhstan.

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**Alma-Ata took the same road as other post-Soviet republics – it started establishing trade, economic and investment relations with the West, above all with the USA.**

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The first stage of the formation of the Kazakhstan statehood was beset by acute socio-economic problems – a two-fold drop in the GDP, catastrophic reduction in the living standards of the population. Only the long-standing industrial cooperation with Russia could help Alma-Ata cope with the economic crisis. In 1992–1993 Kazakhstan was still in the ruble zone; it signed the Agreement with

■ Vyacheslav Dolgov

Russia “On Deregulation of Economic Activity”, initiated a joint meeting of the governments of the two countries to coordinate the economic activity.

At the same time Alma-Ata took the same road as other post-Soviet republics – it started establishing trade, economic and investment relations with the West, above all with the USA. Foreign companies obtained access to virtually all the resources and raw materials of the country.

Foreign economic relations were effectively supplemented by the expansion of foreign political contacts of Kazakhstan in almost all the areas. President N. Nazarbaev and his young but highly professional diplomatic counselors worked hard to enhance the role of the Republic in regional and international affairs. During that very period Alma-Ata put forward the idea to convene a Conference on Interaction and Confidence-Building Measures in Asia which was successfully implemented. At the same time was propagated, though in the most general form, the idea of establishing the Eurasian Union on the territory of the CIS.

### Summing up twenty years of Kazakhstan’s independence

In the first decade of independence the leadership of Kazakhstan managed to stabilize the economic and domestic policy situation in the country, to consolidate the young statehood. It was achieved through the formation of the social market economy and balanced domestic and external policy conducted by the President.

In its external relations Kazakhstan relied above all on Russia as evidenced by the list of agreements on bilateral cooperation: the Treaty of Friendship, Cooperation and Mutual Assistance (1992), Agreement on Further Deepening of Economic Cooperation and Integration (1994), Agreement on Military Cooperation (1994), Strategic Partnership Implementation since 1997, Declaration of Eternal Friendship and Alliance oriented to the 21st century (1998), Economic Cooperation Agreement for 1998–2007 (1998), including the program of specific measures aimed at its realization. Nowadays the Economic Cooperation program for 2008–2011 is being implemented.

The contractual obligations of the parties were followed up by tangible results. The Russian-Kazakh trade turnover rose from \$2.703 million in 1994 up to \$15.273 million in 2010; in the first half of 2011 it amounted to \$9.210 million, i.e. grew by 143 per cent.

In the multilateral relations on the territory of the CIS Alma-Ata in cooperation with Moscow and Minsk consistently promoted the development of integration processes on the post-Soviet space. Kazakhstan became a member of the Customs Union, the Eurasian Economic Community (the EurAsEC), the Common Economic Space (the CES) and also the CSTO and the SCO.

At the same time Kazakhstan launched an active trade, economic and investment cooperation with China as well as with the USA and West European countries.

Certainly the establishment of the independent Kazakh state was not without problems, both real and imaginary. Among the former was broad access of Western business to the key resource industries of the country. Alma-Ata soon realized that foreign technologies and investments were not always a blessing. A few questions arose with regard to foreign businesses. To illustrate, some Western companies employed their specialists in Kazakhstan only for 28 days a month and then sent them on paid “holidays abroad” in order to avoid local taxation. As for holiday expenses, they were posted to the account “investments in production”. Foreign business in the republic also had some other “peculiarities”. But on the whole economic cooperation with the West has brought to Kazakhstan billions of dollars in investments and financial dividends.

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**Positive results of the Russia–Kazakhstan cooperation were to a certain extent achieved due to the personal commitment of president N. Nazarbaev to the economic integration with Russia and other willing CIS countries.**

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As to the imaginary problems, Alma-Ata was unjustifiably concerned over some “potential threat of annexation to Russia of the Northern Kazakhstan territory” which was inhabited mainly by Kazakh citizens of Russian and other Slavic origin sent there in Soviet times to tap the virgin lands. Contrary to the opinion of many Kazakh citizens, the leadership of the country began to implement a very questionable and costly project: it moved the capital of the country from Alma-Ata “located too far to the south” to Astana “located in the geographical center of the republic”.

On the whole the Russian-Kazakh sovereign interaction has been a success, based on principles of mutual interest and benefit.

### Future relations between Russia and Kazakhstan

It is no secret that positive results of the Russia–Kazakhstan cooperation were to a certain extent achieved due to the personal commitment of president N. Nazarbaev to the economic integration with Russia and other willing CIS countries.

The Kazakhstan leader who for many years has been efficiently navigating the Republic’s ship of state draws clear lines of our future bilateral cooperation. In his book “Kazakhstan – 2030” he writes: “We will develop and strengthen relations based on trust and equality with Russia, our nearest and historically friendly neighbor.” The whole twenty years’ experience of Russia-Kazakhstan cooperation only confirms this forecast of the state leader.

At the same time there is no denying the fact that N. Nazarbaev has been at the helm of power for as long as three decades. The whole current Kazakhstan

■ Vyacheslav Dolgov

governance model is tailored entirely for him. So far there have been no visible “successors” to the state leader, nor can they emerge in the current political scenario. The fact that high-ranking officials are regularly rotated and replaced by the president in fact deprives the potential candidates of any chances to demonstrate their abilities. The attempts of the “self-nominated ones” from the family or the inner political circle to make a name for themselves have inevitably ended in failure.

It is common knowledge that many people of the Kazakh political and clannish elite do not share the political views of the state leader, in particular his orientation towards active cooperation with Russia and other CIS countries in the framework of the Customs Union and the Common Economic Space.

The balance of power in the republic on these and other key issues has lately been quite fluid. There are political forces oriented to the external influence factors, first of all to China and the USA. There are visible signs of the beginning of a latent struggle for the shortest cut to the top.

In short, tough times may be lying ahead of Kazakhstan when the Kazakhstan governance basic model devised by N. Nazarbaev will have to stand a rigorous resistance test.

Russia’s intentions towards Kazakhstan are clear and not subject to political fluctuations: Moscow stands for mutually beneficial cooperation, both bilateral and multilateral, within the CIS and in the international arena as a whole.

Hopefully, in the years to come the Russia-Kazakhstan cooperation will remain beneficial and will always serve the fundamental interests of our countries and peoples.

# Relations between the Independent Kirgizia and Russia: Present and Future

*Switching between Russia and the West*

Andrey Kazantsev

*Kirgizia is one of the key strategic objects for a new 'Big Game' in modern Central Asia. Following the declared multi-vector foreign policy this country established close relations with the West, China and Islamic world. Moreover, the political life in Kirgizia is unstable with the continuous changeover of the ruling groups. Nevertheless, after the disintegration of the USSR relations with Russia have always played an important, sometimes key role in foreign and domestic policy of the republic.*

## Secession of Kirgizia from the USSR and the logic of its relations with Russia

Similar to all other Central Asia republics of the former USSR, Kirgizia didn't show any desire to drop out of the Union during the perestroika. The independence was declared on August 31, 1991 following the failed take-over organized by SCSE. Later on, the independent Kirgizia always supported the creation of all international organizations initiated by Russia (CIS, CSTO, EurAsEC, Customs Union etc.)

Political processes in post-perestroika Kirgizia were activated by the clashes between the Kirgiz and the Uzbek in Osh region. The inability of the communist leadership to handle the situation resulted in a specific "democratic breakthrough". Askar Akaev, coming from academic circles and directly linked with the party nomenclature, was elected President of the country. It was the first time when Kirgizia got the image of the most "democratic" and "pro-western" republic in the region (enough to look on the indices of personal and political freedoms calculated by "Freedom House" organization to see that during two decades Kirgizia is the regional leader in relevant positions).

Thus, right from the moment of the USSR disintegration the Kirgiz policy got its main contradiction to combine pro-Russian and pro-Western orientations. Consequently the dynamics of Russian-Kirgiz relations strongly depend on relations between Russia and the West.

## Development of a multi-vector policy in Kirgizia: gains and losses of independence period

Independent Kirgizia pursues an open foreign policy with a strong accent on various integration structures and international multilateral organizations. In this respect the policy of Bishkek resembles the foreign policy of Astana and drastically

differs from the foreign policies of Ashkhabad and Tashkent that give priority to bilateral relations with individual states . But, Bishkek is infamous for its willingness to make commitments in the international organizations and the lack of execution efforts. For example, obligations of Kirgizia in view of accession to WTO assumed during the presidency of A. Akaev, contradicted to the obligations undertaken by the same country in the project of “common market” creation together with Russia and other EurAsEC countries.

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**Bishkek is infamous for its willingness to make commitments in the international organizations and the lack of execution efforts.**

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Kirgizia for a number of grave economic problems is interested to get investments from all possible foreign partners. In 1990s Kirgizia was viewed as the leader of democratization in Central Asia that helped it to attract considerable financial funds from the West and different international organization in the form of loans and grants. In the 2000s the economic influence of Russia and China became more pronounced, but even today the American airbase in “Manas” airport is a source of hard currency for the republic.

“Steppe and Eurasian heritage” plays an important role in the political culture of the country. It explains the presence of highly competitive political system and its continuous instability. But these national features manifest themselves differently in the south and the north of the country. The north is more Russified and westernized with a small influence of Islam. That’s why the northern elites are more open to the cooperation with Russia and with the West at the same time. The south of the country experiences a heavier Islamic influence and is less Russified. So, the southern elites pursue isolationist policy, but are less oriented to the West, which in some cases simplifies the interaction the Russia. Moreover, when southerners were at power (K. Bakiyev) the growth of China economic influence was most noticeable.

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**Due to the constant clashes between the north and the south, the political life in Kirgizia is unstable that impacts its foreign orientation.**

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Due to the constant clashes between the north and the south, the political life in Kirgizia is unstable that impacts its foreign orientation. During the disintegration of the USSR the ruling of southerners (represented by the First Secretary of the Central Committee of Kirgiz Communist Party and Chairman of the Supreme Soviet of Kirgiz SSR Absamat Masaliev) was replaced by northerners (first President of Kirgizia A. Akaev). After the ‘tulip revolution’ of 2010 Bakiyev was

replaced by the acting President Rosa Otunbaeva and then the elected President Almazbek Atambaev (both from the North).

Let's discuss the gains and losses of Kirgizia during independence. The high level of political freedom in the country is a definite achievement. Preservation and even the strengthening of national independence in a complex political and economic environment with the actual breakup between the north and the south (they are poorly linked with each other, even from a transportation viewpoint) – also can be view as an achievement.

The losses are represented by the lack of political stability that makes the country unattractive to foreign investments and creates prerequisites for the constant redistribution of property between clans. From the moment of the USSR disintegration Kirgizia suffers from economic difficulties. Contrary to the neighboring Kazakhstan possessing a lot of natural resources and oil in particular, Kirgizia has only some reserves of metals and hydraulic resources. But the employment of the latter is large “blocked” by Uzbekistan due to discords on water energy.

### Kirgiz-Russian relations today

For Russia Kirgizia is first of all of military and strategic interest. Russian military base is located in Kirgiz town of Kant. US and NATO military base in Bishkek airport “Manas” is also important for Russia in view of a strategic competition in the region.

For Kirgizia Russia also has a strategic importance. It is one of the possible guarantors or safety (e.g. in the frame of CSTO and SOC). But relations with Russia are vital to keep the Kirgiz economy afloat. Large-scale export of manpower should be mentioned first. Transit trade with Russia, including smuggling is significant for economy of the republic. A large number of Chinese goods come to Russia via Kirgiz market places. Kirgizia exports some of its own products – clothing, jewelry. But the shadow economy is very powerful here (just remember a recent scandal of “Altyn” network). Cultural ties with Russia play an important role for Kirgizia as a whole and for strongly Russified and weakly Islamized north.

The role of the Russian factor in foreign and domestic policy of Kirgizia and its relation to the strategic competition Russia–West can be demonstrated by conflicts around American military base.

As already mentioned, after the “tulip revolution” the Bakiyev government came to power and it was more prone to cooperate with Russia and China than the Akaev administration was. For example, Bakiyev administration promised to close American military base “Manas” in exchange for a significant financial assistance of Russia. But later on Bakiyev started a “double game” and traded the military base (with a formally modified status) against American economic assistance and prejudiced Moscow against himself. With the worsening of social and economic situation in the country the corrupted regime of Bakiyev failed on April 7, 2010.

- Andrey Kazantsev

During the electoral campaign for the Presidential election on October 30, 2011 all candidates tried to demonstrate their pro-Russian orientation. The winning candidate A. Atambaev came to the top and promised to close American military base and to joint the Customs union and the Common Economic Space.

### The future of Kirgiz-Russian relations

In the framework of its multi-vector polity Kirgizia will continue to balance between the main global “poles of power” focused on the Central Asia. These poles will still include Russia and the West (USA+EU), but a new trend will be represented by the unprecedented growth of China’s influence, mainly on the economy. Looking at the dynamics of Chinese economic growth one can easily predict when Chinese influence will overbalance all other vectors of Kirgiz policy.

It’s obvious that the political influence of China will be opposed to the West. In particular Beijing is very negative to the military and political cooperation of Central Asia countries and NATO.

It is yet difficult to forecast how this unavoidable growth of Beijing capabilities will impact the position of Moscow and shall it be beneficial for Russia. Up to now Russia and PRC successfully coordinated their positions within SOC.

With a high degree of probability we may assume that the cultural influence of Russia (or a “soft power”) on Kirgizia (particular on its northern part) will remain on a high level. Wide use of Russian language and large migration flows will guarantee it.

## Russia and Latvia: Twenty Years Apart. What Next?

*“The Baltic Tiger” shrank into kitten, thus remembering Russia*

Vladislav Vorotnikov

*During the last twenty years, Russian relations with Latvia have been tenser than with the other Baltic States. But they are still dynamic, and are able to evolve towards a mutually beneficial dialogue.*

Twenty years of diplomatic relations between the Russian Federation and the Latvian Republic was celebrated on October 4, 2011. The past years were anything but simple for a bilateral dialogue, and during 1990–2000 relations between Latvia and Russia were tenser than with any other Baltic State. But as said by the new Minister of Foreign Affairs of Latvia E. Rinkevics today they are better than ever.<sup>1</sup>

### Undue expectations

Withdrawal from the USSR for Latvia was linked with expectations traditional for all Baltic States:

- 1) To become a full-fledged and equal member of western society (to realize the slogan “Back to Europe” that was so popular in Baltic States in the late 1980s – early 1990s);
- 2) To join major Europe-Atlantic integration structures;
- 3) To overhaul the economy to create living conditions comparable to those in Scandinavian countries.

The wish to join European integration structures was respected in 2004 with the accession to NATO and the EU. Formally and legally, Latvia did manage to become a full-fledged and equal part of western society (setting aside the transfer of some sovereignty to Washington and Brussels while joining these structures). But during the global financial crisis which swept Latvia in 2008 when, as mentioned by the Deputy of the Latvian Seim N. Kabanov “from the so called “Baltic tiger” the country turned into a “sick kitten”,<sup>2</sup> the equality of Latvian participation in the international and supranational structures was put to question. In 2008 the government of the country agreed with the EU, international organizations (IMF, EBRD, World Bank) and donor-countries (Sweden, Denmark, Norway, Finland, the Czech Republic, Poland, and Estonia) on a loan of \$7.5 bln in exchange for the commitment to undertake structural reforms, increasing the tax burden on population and reducing social expenditures, and to allow international experts to participate in the adoption and approval of the budget. In this respect, the third goal can hardly be reached in the visible future: a reduction of population in the 2000s of at least 300–400 thousand people is better proof than any economic indicators.

<sup>1</sup> Original text is at URL: <http://tass.ru/politika/544007/> (in Russian)

<sup>2</sup> For details see URL: [http://rus.ruvr.ru/radio\\_broadcast/no\\_program/56317145.html](http://rus.ruvr.ru/radio_broadcast/no_program/56317145.html) (in Russian)

Latvian society is supersensitive to the fact that due to the accession to EU and continuing membership in this organization, the country has to incorporate into the national legislation thousands of European acts, that were adopted far away and without any consultation with Latvia (the leader of the Latvian Party of Eurosceptics N. Gostinsh informed that by 2006 there were 23 thousand of such acts. First of all, it seems that Latvia has moved from the “Soviet empire” into a “European empire”. Secondly, in the preparation and implementation of resolutions adopted in Brussels, Latvia (together with other small countries, admitted to the EU during the last two waves of enlargement) faces problems in defending the interests of the country due to the simple lack of diplomats proficient in the main EU languages.

### Russia and Latvia: a difficult way towards dialogue

The euphoria of the first decade of independence could not but impact Latvia’s relations with Russia – which were in many aspects irrational. Common sense cannot explain the destruction of nearly all of the industry in Latvia simply because it was a symbol of the Soviet past, or the establishment of a non-citizenship institute (non-citizens are disadvantaged by 70–80 rights as compared to citizens), or the choice of a confrontational foreign policy towards Russia. Moreover, from the viewpoint of the current political establishment of Latvia, the mere decision to secede from the USSR was, by apt remark of Russian sociologist R. Simonyan<sup>3</sup> a “political oddity”, as it was adopted by the Supreme Council, i.e. “the occupational regime body”. The Soviet past of the country is still regarded as an “occupation” by numerous politicians in Latvia.

The political interest of the right-wing conservative Latvian elite that came to power in early 1990s and is still in force, which called for the creation of something that sociology defines as a myth – i.e., an ideological construct with a deep historical background. This construct was presented by a so-called occupational doctrine, which acts as a linchpin for political decisions, and justifies any actions of the government, primarily its failures. Hundreds of thousands of ethnic Russians and Russian-speakers that have been living on the territory of Latvia for decades became hostages of these political games (while many of these people supported the creation of an independent state in 1990–1991). The problem remains to this day (by January 1, 2011 the number of non-citizens was 325845 people),<sup>4</sup> while it became less acute when in 2007 the non-citizens were allowed to work in EU countries, and in 2008 – to enter Russia without visas.

<sup>3</sup> For details see URL: [http://www.isras.ru/files/File/Publication/Pribaltika\\_Simonyan.pdf](http://www.isras.ru/files/File/Publication/Pribaltika_Simonyan.pdf) (in Russian)

<sup>4</sup> For details see URL: [http://data.csb.gov.lv/DATABASE/Iedzsoc/Ikgad per cent C4 per cent 93jie per cent 20statistikas per cent 20dati/Iedz per cent C4 per cent ABvot per cent C4 per cent 81ji/Iedz per cent C4 per cent ABvot per cent C4 per cent 81ji.asp](http://data.csb.gov.lv/DATABASE/Iedzsoc/Ikgad%20per%20cent%20statistikas%20dati/Iedz%20per%20cent%20ABvot%20per%20cent%2081ji/Iedz%20per%20cent%20ABvot%20per%20cent%2081ji.asp)

**Latvian society is supersensitive to the fact that due to the accession to EU and continuing membership in this organization, the country has to incorporate into the national legislation thousands of European acts.**

But the global financial and economic crises made the Latvian population more pragmatic in view of foreign policy: the possibility to keep personal welfare is now more important than adherence to insufficiently convincing ideological dogmas. Nevertheless, the polls show<sup>5</sup> that 62 per cent of the economically active population in Latvia (which nearly coincides with the number of ethnic Letts – 59.5 per cent) do not support the Russian language as the second official language, among them 49 per cent – “in full” and 13 per cent – “probably not”. At the same time, they appreciate the need for closer contacts with their eastern neighbor:<sup>6</sup> 64 per cent followed the recently elected President A. Berzinsh and voted for a visa-free regime between the EU and Russia (37 per cent – “in full”, 27 per cent – “probably yes”).

The negative image of Latvian policy that has been built over a decade and a half is difficult to change in the Russian public consciousness. It is evidenced by the results of polls conducted by the “Levada-center”, when respondents were asked to name the five countries most hostile to Russia. During the last six years, Latvia has always been present in the list, though it dropped from first to the third place. In 2005 it was named by 49 per cent of respondents (N=1600), in 2006 – 46 per cent, in 2007 – 36 per cent,<sup>7</sup> in 2009 – 35 per cent in 2010 – 36 per cent, and in 2011 – 35 per cent.<sup>8</sup>

At the same time, the official Russian-Latvian relations – unlike Russian-Lithuanian and Russian-Estonian – improved to become more dynamic and able to evolve towards a mutually beneficial dialogue. Some warming could be seen after the Treaty on the Russian-Latvian border entered into force in 2007. While a bilateral dialogue is still exacerbated by debates on historical and political issues, President V. Zalters came to Russia on an official visit in December 2010 and signed nine bilateral agreements. It opened a new page in the history of relations between Russia and Latvia: after twenty years of “cold peace”, the parties found opportunity to build full-fledged relations, and the crises in the global economy acted as a catalyst of rapprochement.

### Are there any prospects?

With globalization in place, the geo-economic position of a state becomes one of the key factors for social and economic development. Latvia, together with the other two Baltic States, occupies a very advantageous place in Europe. While

<sup>5</sup> For details see URL: <http://www.tns.lv/?lang=lv&fullarticle=true&category=showuid&id=3629>

<sup>6</sup> For details see URL: <http://www.tns.lv/?lang=lv&fullarticle=true&category=showuid&id=3553>

<sup>7</sup> For details see URL: <http://www.levada.ru/archive/strana-i-mir/nazovite-pyat-stran-kotorye-vy-mogli-nazvat-naibolee-nedruzhestvenno-vrazhdebno>

<sup>8</sup> For details see URL: [http://www.gazeta.ru/news/lenta/2011/06/01/n\\_1865229.shtml](http://www.gazeta.ru/news/lenta/2011/06/01/n_1865229.shtml)

during its first period of independence (between the world wars), this position was considered by western countries mainly from a military and strategic viewpoint, today the key issue is the ability of the state to be incorporated into the international and transcontinental logistical schemes. Nevertheless, it should be remembered that Latvia is not a member of the CFE Treaty, but is a member of NATO, which, as stated by the head of Latvia's Ministry of Foreign Affairs E. Rinkevics, together with its EU membership, "should offer the possibilities and create a basis for the resolution of issues in bilateral relations" with Russia.

It is true that the interest to the transportation and logistical sector of the Latvian economy is displayed by many states from different parts of the world. About 80 per cent of the seaborne export of Belarus goes via Latvia.<sup>9</sup> The container train "Baltica-Transit" starts its route from Latvia, and the major part of its cargo are NATO containers delivered to Afghanistan from the USA (43 per cent – in 2009 and 55 per cent – in 2010).

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**The economic component of Russian-Latvian relations that was developing despite political difficulties, is at the present moment the most promising domain for the application of efforts of the two countries.**

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The economic giants of Eastern Asia, particularly China presenting itself as a global player, also demonstrate their interest in Latvia. It might sound optimistic for Latvian businessmen and politicians, but it can hardly be implemented without the strengthening of amicable business contacts and an establishment of a favorable environment for the bilateral cooperation with its eastern partner. At the business forum "Strategic partnership 1520: the Baltic region" that took place in Riga on October 17–18, 2011, during the session titled "Container cargo as a future of multimode transportation in the Baltic region" Guntis Macs, Chairman of "LDz Cargo" rightly stated that the "Chinese direction may be explored only with the colleagues from Russia and Central Asia. Huge investments are needed, and this project is still awaiting development."<sup>10</sup>

Most probably, the economic component of Russian-Latvian relations that was developing despite political difficulties, is at the present moment the most promising domain for the application of efforts of the two countries. Though, a merely pragmatic approach can hardly resolve all the contradictions in the historical memory, nor their impact on the internal and foreign policy of Latvia. There is a need for a political will and common sense, and the rest can be handled by the objective laws of world economic development.

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<sup>9</sup> For details see URL: <http://www.baltic-course.com/rus/intervju/?doc=37303> (in Russian)

<sup>10</sup> For details see URL: [http://www.baltic-course.com/rus/good\\_for\\_business/?doc=47470](http://www.baltic-course.com/rus/good_for_business/?doc=47470) (in Russian)

## Twenty Years of Russo-Lithuanian Dialogue: Results and the Outlook for the Future

*There is just one step from enmity to friendship –  
to build a bridge between the East and the West via Lithuania*

Vladislav Vorotnikov

*The success of the dialogue between Russia and Lithuania in the last twenty years should not be overestimated, but the parties have definitely attempted to resolve priority tasks after the USSR's disintegration and managed to tackle spheres of mutual interest, despite persistent disputes and conflicts of historical and political origin.*

Twenty years have passed since the establishment of diplomatic relations between the Russian Federation and Lithuania (October 9, 1991). During this time, Russia managed to establish relations with the majority of Western countries which were hostile during the Cold War. But relations with new neighbors strongly resemble the ones during the era of confrontation. As Lithuanian historian C. Laurinavicius once said: “Lithuania today has friendly relations with the majority of neighboring countries, not only the nearest one. Unfortunately that is not attributable to relations with Russia, which until recently looked more hostile than friendly.”<sup>1</sup> The situation is very odd – a state that for many years used to be part of a common economic and cultural space with Russia has changed its orientation very easily.

### More focus on the West

In an attempt to justify the political choice of the country ten years after it gained independence, first President of Lithuania A. Brazauskas wrote in his memoirs: “Lithuania, freed from Soviet occupation, definitely had thousands of arguments for political dissociation from the East and a turn to the West, and it was crystal clear for any sober-minded person.”<sup>2</sup> These words, said post factum, should not be understood literally (in 1988 at the Founding Congress of “Sajudis”, Mr. Brazauskas, being at that time the leader of the Lithuanian Communist Party, called on his fellow citizens to be cautious in view of possible Lithuanian independence<sup>3</sup>). But during the last years of the USSR and the first years of independence, the Lithuanian political elite had exactly this view of the country's place in the world, because Lithuania, together with the two other Baltic states, has always deemed itself as “an organic part of the West kidnapped by the Soviet Union.”<sup>4</sup> This perception predefined the Euro-Atlantic priorities of its foreign policy, officially

<sup>1</sup> Original text is at URL: <http://amberbridge.org/userfiles/file/amberjournal/issue3/rus/HOW%20NEIGHBORS%20BECOME%20ENEMIES.pdf> (in Russian)

<sup>2</sup> Brazauskas A. Five Years of Presidency: Event, Memories, Thoughts. Moscow, “Uniprint”, 2002.

<sup>3</sup> Furman E.D. Establishment of the Party System in Post-Soviet Lithuania. Moscow, “LIBROCOM” book house, 2009.

<sup>4</sup> Kolosov V., Borodulina N. Geopolitical discourse and relations between Russian and Baltic courtiers // World Economy and International Relations. 2007. No. 9. (in Russian)

proclaimed by Brazauskas on May 17, 1993 in his so-called “European speech.”<sup>5</sup> This foreign policy was consistently and rather successfully (at least prior to the global financial and economic crisis) implemented over the course of two decades. By the mid-1990s, the EU became Lithuania’s leading economic and political partner,<sup>6</sup> and in 1999 the country was invited to negotiate the accession that took place on May 1, 2004. Lithuania joined NATO later that same year.

### A difficult dialogue

A principal refocusing of Lithuania toward the West posed a serious challenge to Russo-Lithuanian dialogue, which in 1990s and early 2000s was driven more by inertia than future prospects. Lithuania, unlike Latvia and Estonia, managed to avoid the issue of citizenship for ethnic Russians and Russian-speakers: by August 1991, Lithuanians made up 81.5 per cent of the population, and citizenship was granted to every inhabitant of the country (“zero option”). Nevertheless, disputes continued to arise, and they were settled, or at least “frozen”, only by the mid-2000s.

One such disputed and potentially controversial issue was the demarcation of the state border between Russia and Lithuania (in 1990, Brazauskas admitted that “after the war, there were no official documents on the annexation of Klaipeda region by Lithuania”). As a result, the Russia–Lithuania border treaty and the Treaty on the Delimitation of the Exclusive Economic Zone and Continental Shelf in the Baltic Sea, signed in October 1997, came into force only in August 2003. The issue of “Kaliningrad transit” is still pending, though it was partially resolved by the signing of bilateral intergovernmental agreements on the return travel of citizens (2002) and a simplified regime for railway journeys (2003).

Despite remaining cultural links between the countries (it is enough to mention the names of D. Banionis, Y. Budraitis, R. Adomaitis, R. Tuminas, G. Taranda, I. Dapkunaite, etc.) and the successful work of the joint Russo-Lithuanian commission of historians established in February 2006, issues of the common historical past were left out of the scientific and historical domain from the first days of independence. An exotic pinnacle was reached with the adoption of amendments to the Criminal Code of the Republic of Lithuania on June 15, 2010,<sup>7</sup> stipulating criminal prosecution for the denial of the so-called “Soviet occupation”. Lithuanian politicians and diplomats now condition the progress of bilateral dialogue on the acknowledgment of “occupation” by Russia more and more often. The results of a poll<sup>8</sup> conducted by request of the Lithuanian Minister of Foreign Affairs in December 2007 are very indicative: 49.4 per cent of respondents are “sure that dialogue with Russia should start with compensation for moral damage caused by Soviet occupation”. 43.9 per cent – mean “material damage”, and 47 per cent will be satisfied with “acknowledgment and apologies”. For 46.8 per cent, “material compensation for the damage (payments)” is more important.

<sup>5</sup> Brazauskas A. *Five Years of Presidency: Event, Memories, Thoughts*. Moscow, “Uniprint”, 2002.

<sup>6</sup> For details see URL: <http://www.stat.gov.lt/lt/pages/view/?id=2068>

<sup>7</sup> Original text is at URL: [http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc\\_1?p\\_id=375951](http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_1?p_id=375951)

<sup>8</sup> For details see URL: <http://www.urm.lt/index.php?119618011>

## Nostalgia for the USSR

Confronted with the consequences of the global financial and economic crisis that hit Lithuania in 2008, local society cast doubt on the correctness of a unilateral Euro-Atlantic orientation. The creation of the the “Zalgiris” National resistance movement in 2008 “as a reaction to ... injustice and abuse of national values and originality” became a milestone event. The actions of this movement, which were mainly of a philosophical and educational nature, clearly demonstrated the disillusionment of Lithuanians with the results of twenty years’ independence.<sup>9</sup> At round-tables regularly held by the movement, the Soviet past is frequently commented upon with a favorable nostalgia. For example, one of the founding fathers of this movement and signatory of the Independence Act on March 11, 1990 R. Paulauskas once remarked, “it is not common knowledge, but just cast a glance at the Soviet Lithuanian Encyclopedia and you will see surprising figures. It turns out that in the Soviet Union, Lithuanians had more cars per 100 citizens, more houses, and more money in savings.<sup>10</sup>

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**Lithuania is just beginning to realize that it can be not only the “last stronghold of the West”, but also “a bridge between the East and the West”.**

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But these changes in Lithuanian public opinion cannot immediately alter the stereotypes regarding Lithuania in Russia. While for Russian intellectuals Lithuania remains the “country of Churlenis, Banionis and Sabonis”, the negative image of a “small arrogant country” formed in the 1990s) has become persistent, as evidenced by the annual polls of “Levada-center” in which respondents are asked to name the five counties most hostile and unfriendly to Russia. Over the last six years, Lithuania was never left out of the list (2nd to 4th position), although the number of respondents mentioning this country went down (N=1600): 2005 – 42 per cent, 2006 – 42 per cent, 2007 – 32 per cent, 2009 – 35 per cent, 2010 – 35 per cent,<sup>11</sup> 2011 – 34 per cent.<sup>12</sup> The fact that some pragmatism appeared in the foreign policy of Lithuania when President D. Grybauskaite took office in 2009 didn’t change the image of the county in Russia.

## The future of Russian-Lithuanian relations

A certain amount of progress in relations between the two countries is noticeable only in the economic sphere. Russia has always been a key foreign economic partner for Lithuania. In recent years, with the active internationalization of the

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<sup>9</sup> For details see Vorotnikov V. Lithuanian public movement “Zalgiris” and creation of an alternative philosophy in foreign policy (on the supplements “Zalgiris” to “Republic” newspapers // The Baltic region. 2011. No. 3(9). Pp. 59–70.

<sup>10</sup> For details see URL: [http://www.respublika.lt/uploads/files/99596746\\_pdf\\_12\\_120522.pdf](http://www.respublika.lt/uploads/files/99596746_pdf_12_120522.pdf)

<sup>11</sup> For details see URL: <http://www.levada.ru/archive/strana-i-mir/nazovite-pyat-stran-kotorye-vy-mogli-nazvat-naibolee-nedruzhestvenno-vrazhdebno>

<sup>12</sup> For details see URL: [http://www.gazeta.ru/news/lenta/2011/06/01/n\\_1865229.shtml](http://www.gazeta.ru/news/lenta/2011/06/01/n_1865229.shtml)

economy, Russia–Lithuania relations have been strongly influenced by geopolitical factors, such as key East–West transit flows. Russia has understood the potential benefits of the fact that the shortest path from Eastern and Central Asia to Europe goes through its territory (like additional revenue the budget gets from transit and development of transportation and logistical infrastructure and auxiliary business).

Lithuania is just beginning to realize that it can be not only the “last stronghold of the West”, but also “a bridge between the East and the West”, or a key link in the chain predestined to it by its position in the geographical center of Europe. According to one of the textbooks from the General Jonas Žemaitis Military Academy of Lithuania, development trends in the Eurasian transport and infrastructure complex show that due to its central position on the Eurasian continent, by 2020 “the transportation system of Lithuania will be incorporated not only into the European, but also into the land-based, naval and airborne transportation systems of the world”. These prospects will probably lay the foundation for the normalization of Russo-Lithuanian relations.

The success of the dialogue between Russia and Lithuania in last twenty years should not be overestimated, but it is certain that the parties attempted to resolve priority tasks after the USSR’s disintegration and managed to find a common language regarding spheres of mutual interest and identification of sharp disagreements.

During the whole post-Soviet period, Russia has remained the most important trading partner for Lithuania and a traditionally reliable market for its agricultural production and food, as well as its main supplier of electricity and energy resources. Russia, in turn, is interested in favorable conditions for transit, including “Kaliningrad transit” to provide regular support to its exclave. That said, the absolutely different positions maintained on multiple key issues in the current European and world policy, imposed by the notorious Lithuanian “historical” agenda for interstate contacts, as well as its disregard for the realities of the multi-polar world, set a negative background for the development of neighborly relations.

Of course, it is difficult to ignore the sharp statements of leading Lithuanian politicians addressed to Russia and their unwillingness to resolve real (and not imaginary) historical and political issues. But politicians come and go, while nations that have been living for centuries side by side will stay. And most likely, the crisis has already awakened sober elements of Lithuanian society, which are ready to conduct a constructive and mutually beneficial dialogue, leaving aside the ghosts of the past and looking into the future.

# Twenty Years Anniversary of Sovereign Moldova

*Russia is still able to draw Moldova back*

*Lyudmila Fokina*

*After the USSR collapsed Moldova plunged into permanent political and economic crisis. Twenty years after the political elite is still indecisive – either to pursue the declared strategic goal of integration into Europe or to shift to the Eurasian integration.*

## The case for Moldova's secession from the USSR before it disintegrated

Soviet Moldova rushed to secede from the USSR even before the Union failed. It happened on June 23, 1990 when the Supreme Council of MSSR adopted the Declaration of independence. For this reason the republic refused to participate in the union-wide referendum on the preservation of the USSR. Following the resolution of the Parliament (May 23, 1991) the word “Soviet Socialist” were eliminated from the country's name, based on the conclusions of a special commission established in Moldova on Molotov–Ribbentrop Pact that declared the creation of Moldova SSR illegal. The main reason to secede from the USSR was the argument about ethnic identity of the Moldavians, identity of the official language of the country and the need to reunite with Romania. This argument became the key ideological slogan of the national movement “People's Front of Moldova” that emerged in 1989. The movement was striving to convince the citizens that they are representatives of Romanian and not Moldavian nation, that Romanian language should become official one and that the main objective of Moldova Republic is the unification with Romania. Twenty years after, when the liberals of the far right from the “Alliance for European integration” came to power, Moldova returned to the issue of its identity. The leader of the Liberal party M. Grimpu is a zealot of Romanian identity. While this issue continues to preoccupy the minds of political elite the risk to lose the ethnic identity and Moldavian nationhood is still high.

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**Today the main stumbling block in the relations between Moldova and Russia is the presence (since 1991) of Russian military in Transnistria which violates the sovereignty of the republic.**

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## Failed expectations of Moldova

Soon after the USSR disintegration and Moldova's shifting the emphasis on independent development, it became clear that the expected economic miracle and welfare will not come overnight. For twenty years the country was gripped by permanent political and economic crisis. It was, first of all, caused by the reforms carried out against the backdrop of broken links with the FSU economy and total absence of power resources. Secondly – the armed conflict in Transnistria (1992) caused a huge damage – a unified economic complex was split. Moldova suffered great damage having lost a part of its territory – Transnistria with its industrial potential and population. The combined impact of economic and political crisis resulted in the fall of GDP, decline in industrial output, hyperinflation and abrupt drop of living standards. Today the international community considers Moldova the poorest country in Europe. Till today it hasn't regained the social and economic level of 1990. Despite the reforms, development and adoption of strategies and programs, the economy of sovereign Moldova hasn't shown any progress by the 20-years anniversary. The key reason is the absence of the effective mechanism able to change the current "model of economic growth without development". This model is based only on the increase of consumers' demand, mainly covered by import, hard currency sent to the country by Moldavian migrant workers and financial assistance from international organizations. Problems faced by Moldova have become systemic. Got mired in abusive practices and unable to elect the President for over two years, the ruling Alliance for European integration can not offer a strategic vision of how to shift to a new paradigm of development.

## Political coloration of Moldova–Russia relations

During twenty year the relations between Moldova and Russia were going by fits and starts, ranging from the strategic partnership to the proclamation of the course for integration with Europe and spreading of Russophobic views aimed to deface the Soviet period in Moldavian history.

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**Twenty years after, when the liberals of the far right from the "Alliance for European integration" came to power, Moldova returned to the issue of its identity.**

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The interest in the strategic partnership with Russia was brought to life by the objective factors, mainly by the absence of primary materials in Moldova. The republic found itself dependent from the supplies of Russian utilities (gas, petroleum

products) and other goods necessary for the economic development – commercial timber, vehicles, pulp and paper products, pipes and some construction and agricultural machinery. In its turn, the Russian market is the key consumer of Moldavian agricultural products and wines.

Today the main stumbling block in the relations between Moldova and Russia is the presence (since 1991) of Russian military in Transnistria which violates the sovereignty of the republic. Moldova demands the immediate withdrawal of the troops and their replacement by international observers. Russia, that during all the years was mediating the negotiations to settle the conflict and guaranteeing the stability in the region, doesn't accept this demand. Looking for the resolution of Transnistria problem Russia pursues the idea of maintaining Moldova's territorial integrity in the form of a federal state.

Over the last two years the attitude of the Alliance for European integration towards Russia has become aggressive and Russophobic. It is evidenced by the attempts to institute a "Day of Soviet occupation" on June 28 (not recognized by the Constitutional Court of Moldova), to rename the 'Victory Day' into the 'Last day of World War II' etc.

Nevertheless, Russia still remains one of the major economic partners for Moldova. Moldavian side presses for the reduction of gas price, customs free transfer of Moldavian wines (Russia's quality claims to the wine are regarded as politically motivated) and opening of outlets for Moldavian wines in regions of Russia. Russia also has some claims to Moldavian partners, i.e. the guarantees for the inviolability of property of Russian business (particularly in Transnistria) and protection of its interests in Moldova. Moscow is ready to reduce the gas price subject to the participation of Russia in investment project, e.g. privatization of Moldavian heat distribution networks. In political domain Russia is interested in the neutrality of Moldova on the international arena, in the presence of Russian troops in Transnistria until the conflict is settled. Russia is concerned by the fate of its compatriots in Moldova, the status of Russian schools and the Russian language. Moreover, with the long-standing political crisis the top priority for Russia is the establishment of a stable democratic power in the republic with the legitimately elected president to allow the country to build long-term and mutually beneficial relations.

### The Future of Moldova–Russia relations

In the near future the step up in Moldova–Russia relations will depend on two fundamental documents: biannual program of intergovernmental cooperation approved by the XII meeting of Russian–Moldavian inter-governmental commission for economic cooperation (March 17, 2011) and by the Agreement

■ Lyudmila Fokina

on the Free trade zone in CIS signed by Moldova at the summit of CIS heads of governments in St. Petersburg on October 18, 2011. The signing of this Agreement opens for the republic new possibilities for strengthening effective ties with Moscow.

In fact, MR government now faces a choice – either to pursue the declared strategic goal, i.e. integration with Europe which is a long-term challenge or to move towards Eurasian integration. Moldova definitely understands that it will take of lot of years to meet the criteria of EU membership. At the same time, it's too early to speak about a full Eurasian integration for Moldova. The pragmatic approach of Moldavian leadership and the EU position on further enlargement in the present critical conditions make the key factors which can push Moldova towards Moscow and Eurasian integration.

## Tajikistan: the Results of “The Parade of Sovereignties”

*The Soviet brethren have cooled off to one another*

*Leonid Blyakher*

*Tajikistan was the least inclined towards complete independence from Moscow after the collapse of the USSR. However, twenty years later the Russian-Tajik relations strongly resemble the family on the brink of divorce.*

### Can you evade the fate by running away?

Independence crashed on Tajikistan like a mudflow with all the political forces in the republic taken aback. The thing is that the national-state demarcation in Central Asia at the time of the USSR was carried out in a rather arbitrary manner and on the premise (not always consistent) of the ethnic component. However, in the history of the region it was the least significant, or rather its significance was not political. Of much more importance was the unity of the political class within the existing state structures. Still more important was the supranational (regional) identity: kulyabets, pamirets, leninobadets etc.

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**The main contradiction determining current political processes in the Republic of Tajikistan is the one between “the nation-state” form of the organization of political power and the local type of social links fraught with inter-clan and inter-oblast conflicts.**

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These identities were kept within the new national entity – the Tajik people – with the help of an extremely complicated inter-elite agreement and distribution of power, with the Federal Centre as an integral component. It was precisely this Centre which was the guarantor of the Agreement, supplied resources which were redistributed through informal channels to maintain the actually existing and not simulated social links within the territorial community and on the level of supra-territorial elites. As the monoculture – cotton – was destroying the Tajik Socialist Republic’s traditional economy the subsidies from the Centre acquired the ever-increasing importance.

Reductions in economic infusions in the TSSR in the 1980s complicated interregional interaction which had already been exacerbated due to the population explosion in the Republic in the 1970s. It resulted in a series of social cataclysms, outflow of the Russian speaking people and an increasing disintegration of principles of inter-elite interaction. By the time of the collapse of the Soviet Union the agreement between the territorial elites of Tajikistan was upheld only through

the efforts of the Federal Centre. With the system of traditional economy destroyed only the financial and resource infusions from the outside made the survival possible. It was for this very reason that the leaders of Tajikistan were the least inclined towards complete independence from Moscow. The idea was to integrate the two economies more efficiently and to oust the migrant elements from the cities. However, suddenly, without any warning independence fell on their heads.

### ‘The Peace Treaty’

The main contradiction determining current political processes in the Republic of Tajikistan is the one between “the nation-state” form of the organization of political power and the local type of social links fraught with inter-clan and inter-oblast conflicts. Ousted to the periphery of political life the southern elites decided to have revenge on the “leninabadtsy” who had been deprived of “Moscow” support. As a result, a civil war broke out – the bloodiest of all the wars waged on the CIS territory. For almost five years government forces and opposition troops fought against each other destroying schools and hospitals, roads and industrial facilities along the way. The unwillingness of Rahmon Nabiev “to share power” brought about many years of confrontation. Only the reciprocal depletion of resources and awareness of the impossibility of victory made the warring parties start a round of negotiations. There emerged a compromise figure of Emomali Rahmon. Under his leadership and due to Russian mediation a civil peace was established. The opposition gained access to power and consequently to the distribution of resources.

Theoretically such a “peace treaty” may pave the way for the formation of democratic structures unique in the Muslim-based society. As a matter of fact, this is what the experts of the IMF and the other international organizations monitoring the situation in the Republic are relying on. However, to ensure progress in this direction it is necessary for an effective economy (which does not exist in Tajikistan) to be integrated into the world economic system. With the appearance of a compromise leader acceptable to both conflicting parties, the basis for national consensus may be “allocation” of access to social and economic benefits. At this turn of events an authoritarian regime in a more or less mild form is inevitable. Furthermore, it is the only way to attain stability and have relatively effective interaction with foreign investors.

### ‘How much water flows around for their daily bread...’

To enable an authoritarian ruler to maintain civil peace in the country it is also necessary to have economic “drip-feed” though of a different nature. Not the effective modernization and modern production based on competition, but export of unique raw materials. It is necessary to have a resource which could be distributed in conformity with the real power of the clan and covenants among the elites.

In most countries of the region this resource has been found – oil and gas. Their extraction does not require substantial investments in technology or human capital (both became available to new states as part of Soviet legacy). It does not involve competition and is easy to distribute. Accordingly, “the distributor” becomes the central figure. No wonder that the most comprehensive and consistent authoritarian regime has emerged in Turkmenia which is amply endowed with this resource. In Tajikistan such a resource exists in the form of a potential only – it is hydropower stations. The completion of the hydropower station cascade would enable Tajikistan not only to provide itself with energy but to export it to China, Iran and India. However, there is another obstacle to the creation of such a resource – contradiction between a single economic complex of the region and the existence of political boundaries.

Despite “the national-state” demarcation in the late 1920s, the region remained a single economic complex. The fact that transportation arteries and pipelines leading to one republic passed through the territory of another was not viewed as a serious problem. Nor was it important that the upper and the lower reaches of the rivers fell under the jurisdiction of different “first secretaries”. In the 1990s the situation changed dramatically. The availability of transport arteries and pipelines, energy transmission lines and water resources turned into an influence factor of some countries over the others. Consequently, the construction of the cascade of hydropower stations capable of providing Tajikistan with energy should lead to a collision of interests with the authorities of Uzbekistan.

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**The pillar of power is control over the most critical resource – water. The one who distributes this resource is a true lord.**

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It is not that by keeping most of the fresh water of the region in “the man-made seas” at the hydropower stations the President of Uzbekistan could deprive the population of Uzbekistan of water. These apprehensions are unlikely to materialize. The problem is different. The blow would be dealt not to the economy or livelihood of the neighboring country but to the most sensitive part of politics which is legitimation of power. Like in Tajikistan, the overwhelming majority of the population of Uzbekistan are dekhans (peasants) and it is in this environment that a system of social relations and power centers is formed. The pillar of power is control over the most critical resource – water. The one who distributes this resource is a true lord. In this particular situation the distributor of this symbolic resource would be the president of another country. No wonder that the project of the construction of the Rogun hydropower station was vehemently opposed by Islam Karimov.<sup>1</sup> This

<sup>1</sup> For details see URL: <https://newsland.com/user/4296648055/content/islam-karimov-protiv-stroitelstva-rogunskoi-ges-v-tadzhikistane/4089328> (in Russian)

■ Leonid Blyakher

opposition led to the winding up of the construction of hydropower stations in Tajikistan. Both Russia and China, the high-profile potential investors, chose not to quarrel with the Uzbek leader. Nor have western investors been in a hurry to commit their capital.

Hence the multidirectional character of the republic's domestic and foreign policy: on the one hand, search for foreign investors and constant interaction with international financial organizations, on the other – the desire to exercise control over the whole spectrum of economic and political life in the country; swinging all the time between the authoritarian tendencies and the necessity to coordinate any action with the influential regional elites. Meanwhile it is becoming increasingly clear that the political stability in the country largely depends on whether a foreign source to sustain the traditional family economy will be found.

Paradoxical as it may seem, stability and authoritarianism are based on the same factor.

### Family on the brink of divorce

Nowadays the Russian-Tajik relations more and more resemble a family on the brink of divorce. Rows are a thing of the past. Reciprocal indifference prevails. Investments expected by Tajikistan from Russia and later from China either did not materialize or their size was greatly diminished. The loyalty of what was until recently one of the most pro-Russian republics is becoming more problematic. A vivid example of serious cooling-off in relations is a conflict around “the pilots’ case.”<sup>2</sup>

In reply to the indictment of the Russian pilot in November 2011, Moscow threatened to deport the Tajik migrants from Russia. Now the Tajik migrant workers increasingly tend to set out for the south-east preferring it to “the north” which is becoming more and more inhospitable. It seems that Russia has virtually given up the role of a player on Central Asian fields.

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<sup>2</sup> For details see URL: <https://lenta.ru/articles/2011/11/08/tajikcourt/> (in Russian)

## Turkmen-Russian Relations in the Post-Soviet Era

*The way back to Ashgabat is not closed to Russia*

Andrey Kazantsev

*Russia's influence in Turkmenistan was to a considerable extent lost after Turkmenistan gained independence. Do independent Turkmenistan and Russia need each other today? Will the partnership go beyond the issues of gas? One thing is evident: the way back to Ashgabat is not closed to Russia.*

### Forced out of the USSR

The political system of Turkmenistan at the time of perestroika displayed sufficiently strong inertia even in comparison with the political systems of the neighboring states of Central Asia. The republic had in fact no desire to drop out of the Federal State. It did not mean, however, that there was no smoldering discontent with the Federal Centre which was associated with Russia.

Nevertheless, immediately after the signing of the Bialoweiza Agreements on the dissolution of the USSR, the leaders of the Central Asian Republics got together – in Ashgabat – and proposed to set up an integration structure for the post-Soviet space. As a result on December 20, 1991 the Agreement on the Formation of the CIS was signed in Alma-Ata.

In the first years of independence the leadership of Turkmenistan tried to show maximum loyalty to Russia as successor of the Federal Centre in the military-strategic sphere. In the early 1990s Russia played a key role in ensuring security of the southernmost republic of the former USSR. Turkmenistan – due to the priority of bilateral relations-did not sign the Tashkent Collective Security Treaty, but in the early 1990s it actively cooperated with Russia in the military and border protection spheres. Many Russian military men served as officers in the Turkmen armed forces; the Chief of the Task Force of the Military Department of Russia at the Ministry of Defense of Turkmenistan who was a member of the Council of Defense and National Security of Turkmenistan and the Commander of Border Troops were also Russian.

Granting the Russian speaking citizens of Turkmenistan the right to double citizenship was a friendly gesture to Russia.

Nevertheless, from the time of gaining independence the official Ashgabat was careful to distance itself from “the democratic” Russian leadership in political issues. In the early 1990s Turkmenistan (as well as Uzbekistan) declared that they were following “the Chinese” rather than the “Russian” model of reforms.

- Andrey Kazantsev

## Transformation into “a New Kuwait” and a policy of isolationism

In the economic sphere Turkmenistan was one of the least privileged republics of the USSR. It did not pay anything into the Federal Budget but got next to nothing from its oil and gas resources due to the peculiarities of the Soviet pricing system which artificially subsidized the final product at the expense of lower prices for raw materials. After the collapse of the USSR Ashgabat soon realized that it can take advantage of its independence to turn into “a new Kuwait”.

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**Turkmenistan always abstained from joining the post-Soviet organizations, both sponsored by Russia (Organization of the Collective Security Treaty, the Euro-Asian Economic Cooperation) and “the alternative ones” (Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova) and insisted on the bilateral format of relations.**

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However, the transportation of Turkmen gas along the northern route was carried out through the pipeline system “Central Asia – Centre” built in the Soviet period. The Russian Companies (Gazprom, Itera) were either buying the Turkmen gas by themselves or acted as intermediaries in its resale on the markets of the post-Soviet countries which were either unwilling or could not afford to pay world prices. It was the major incentive for the search of new transportation routes. Temporary curtailment of gas purchases by Gazprom was a terrible blow to the Turkmen economy. As a result of that, as early as by the mid-1990s Turkmenistan started to pursue a multi-vector foreign policy aimed at “stepping up” keener competition among the potential buyers of its natural gas. It was this opportunity to dispose of its own resources that was declared by the leaders of Turkmenistan as a major achievement of the independence era.

On the international arena this policy was maintained by the official neutral status and non-membership in all post-Soviet organizations. Turkmenistan always abstained from joining the post-Soviet organizations, both sponsored by Russia (Organization of the Collective Security Treaty, the Euro-Asian Economic Cooperation) and “the alternative ones” (Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova) and insisted on the bilateral format of relations. By the end of President Niyazov’s lifetime this policy finally transformed into isolationism and in 2005 led to the withdrawal of Turkmenistan from the CIS membership (while retaining the observer status).

The formation of autocratic power of President Niyazov–Turkmenbashi was logically completed by the creation of the “Rukhnama” nationalistic quasi-religious ideology. One can identify strong anti-Russian elements in it, notably in the assessment of the role of Russia in the historic “decline of the Turkmen”. Persecution of the Russian and other minorities especially intensified after a failed

assassination attempt on Turkmenbashi's life on November 25, 2002. Early in 2003 Turkmenbashi decided to unilaterally abolish double citizenship and in order to minimize a strong reaction from Russia concluded a lucrative contract with Gazprom. The Russian speaking people regarded double citizenship as the only form of protection from the despotism of Turkmen authorities therefore this decision was tantamount to immediate exile.

Mass exodus of the Russian speaking population and flight of most Turkmen intellectuals became the major loss of the state during the years of independence. According to Turkmenbashi himself, “first left golden brains, then golden hands, now only gold teeth are left...”

### Turkmen-Russian relations: the present and the future

Russia completely lost its military and political influence over Turkmenistan as far back as the second half of the 1990s due to the multi-vector, neutrality and isolationism policies. So far Russia has not taken any particular interest in Turkmenistan except for the gas issues.

Until recently Russia continued to maintain a strong influence over Turkmenistan by controlling its energy-transport infrastructure. In 2007 it tried to strengthen this control by agreements on the Caspian Coastal Gas Pipeline construction and extension of the pipeline “Central Asia – Centre” built during the Soviet period. However, both agreements were never realized.

In 2006 an agreement on gas pipeline construction was signed, with Turkmen gas going to China through the territory of Kazakhstan. The Construction started in 2007, and the official ceremony of opening the pipeline was held on December 14, 2009 on the Turkmen gas field Samandepa.

On March 11, 2008 Turkmenistan, Kazakhstan and Uzbekistan notified Russia that starting from 2009 gas would be sold only at the European prices. When in 2009 the crisis brought the gas sales down on the European market, purchasing the Turkmen gas resulted in heavy losses for Gazprom making it stop the intake of gas from the pipeline. As to the Turkmen side, they continued to pump gas into the pipeline. As a result of this decision on April 8, 2009 the pipeline Dauletabad – Daryalyk (part of the “Central Asia – Centre” system) blew up. The Turkmen leadership blamed Gazprom for this disaster.

Though the Turkmen leadership agreed to reduce the prices, in 2010 Gazprom was able to sign a contract only for 10 billion cubic meters. It ceased being the major purchaser of Turkmen gas as alongside with the new pipeline to China the second pipeline was opened to Iran.

Recently in the EU the Trans-Caspian pipeline laying projects have been actively discussed (in addition to “Nabucco”). The position of the advocates of the Trans-Afghan pipeline is too consolidated. In connection with it one can assume that before long a still tougher international competition for Turkmen gas will

unfold, above all between China and the EU. Yet, Gazprom's role unfortunately may continue to diminish. Consequently, Russia will be losing the last serious remaining instrument of exercising influence over Turkmenistan.

Due to the exodus of the Russian speaking people and a sharp reduction of the share of "old" urban Russian speakers in comparison with that of former village dwellers the cultural influence of Russia in Turkmenistan is the lowest in the region. Besides, flows of working migrants and students between Turkmenistan and Russia are negligible. Persecutions against a small number of people with double citizenship have been intensifying. Therefore the long-term potential of retaining Turkmenistan 'in the Russian world' is unfortunately very slim as compared with other Central Asian states.

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**Turkmenistan is located in the strategically important region for Russia: it borders on Iran, Afghanistan and post-Soviet Central Asia on land, and has a marine border with Southern Caucasus. Given all that, cooperation with Turkmenistan could be crucial for Moscow in the sphere of security.**

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However, the revival of the interest of the Russian leadership in Turkmenistan could change the situation for the better. Unlike the authorities of neighboring Uzbekistan, the new Turkmen leadership represented by President G. Berdymammedov is trying to show their respect for Russia using different symbolic gestures. For instance, as a gesture of defiance Tashkent did not take part in the Moscow parade on May 9, 2010 while Turkmenistan sent its detachment thus showing that the road back to Ashgabat is not closed.

Growing influence over Turkmenistan can be useful for Russia for two reasons. Firstly, Russia cannot ignore such an important source of hydrocarbons located approximately in the same segment with Russian deposits (natural gas deposits considerably exceed those of oil). Secondly, Turkmenistan is located in the strategically important region for Russia: it borders on Iran, Afghanistan and post-Soviet Central Asia on land, and has a marine border with Southern Caucasus. Given all that, cooperation with Turkmenistan could be crucial for Moscow in the sphere of security, particularly in meeting new and unconventional challenges – religious terrorism, trans- border trade in Afghan heroin etc.

Turkmenistan also needs to cooperate with Russia in the said spheres, since Russia is a traditional partner in transportation of hydrocarbons along the northern route. Besides, Russia can play a crucial role in ensuring security of independent Turkmenistan in this complicated area particularly after the Americans withdraw their troops from Afghanistan.

# Uzbekistan: Twenty Years of Independence

Oleg Popadyuk

*On September 1, 2011 The Republic of Uzbekistan marked with great fanfare the 21st anniversary of its independence. At the festive ceremonies much was said about the success of the Uzbek economy. It was emphasized that such brilliant results became possible due to the secession from the Soviet Union. How has Uzbekistan benefited from independence? To what extent are the proclaimed achievements true to reality? What are the prospects of interaction between Russia and Uzbekistan?*

The Soviet Republics of Central Asia – Uzbekistan, Turkmenistan, Tajikistan, Kazakhstan and Kirghizia – were the least politically prepared for independence. Unlike the other Union Republics, they were not in a hurry to withdraw from the USSR. Moscow itself pushed them away. Until the last moment the leaders of the communist parties of the national republics tried in this or that form to maintain close relations in the framework of a greatly reformed but yet single country.

## No breakthrough in economy

On the whole, the “special” Uzbek path of development did not enable Uzbekistan to make an economic breakthrough. At present the standard of living is low. GDP per capita is \$3,090.

There is no free conversion of local currency in the country.

There are two exchange rates – official and “market” one, with a two-fold difference. According to the experts’ estimates, the shadow foreign currency turnover is comparable with the state budget – around \$34 billion.

There are shortages of heat and electricity supply, problems with lubricants. Natural gas production is declining. In September 2011 the price of gas for the population increased by 80 per cent. And this at the time when Uzbekistan has considerable deposits of natural gas (3.4 trillion cubic meters) and a big potential for the development of hydropower.

In 2010 according to the Central Bank of Uzbekistan inflation rate was 7.3 per cent. The real growth of consumer prices for essential goods exceeds 200 per cent. For instance, the price of the popular Uzbek bread “flat cake” has risen two and a half times.

By the 20th anniversary of independence virtually none of the major industrial enterprises had managed to adapt to market conditions. One of the most high-tech enterprises – The Tashkent Aviation Production Association named after Chkalov

stopped manufacturing and repairing aircraft. Bankruptcy proceedings were initiated, the Russian contract for the delivery of IL-76 to China was not fulfilled.

Such industrial giants as The Tashkent Tractor Plant “Tashselmach” stopped the production of agricultural machinery. Due to lack of technical facilities the cotton picking campaigns recruit civil servants, doctors, teachers, students and schoolchildren who get minimal wages.

In Europe and the USA boycott campaigns against Uzbek-made goods are regularly held in protest against the widespread use of child labor in the country. The tradition of falsified reporting (a 30 per cent increase against the actually picked up cotton) is still preserved. The situation is further aggravated by ecological problems: land salinity, drying up of big rivers, shrinking of the Aral Sea. Lack of competence in selection, decline in land reclamation, the shortage of fertilizers – all this has resulted in deteriorating quality of cotton and poorer harvests, from 36 metric centners of raw cotton per hectare in the 1980s to 8 metric centners today.

At the same time a number of large-scale industrial projects are being implemented. The construction of a large car assembling plant “Uz-Daewoo Auto” made Uzbekistan the leader of automobile manufacturers in Central Asia. Besides, it is exempted from paying taxes and has the right to sell their products for currency abroad. However, such projects are local, “unique” in character and cannot reverse the negative trends. On the whole, according to the author’s estimates, only 20 per cent of privately-owned enterprises honestly pay taxes, the remaining 80 per cent use various half-legal “gray” tax evasion schemes.

### New ideology and new history

Since 1991 Uzbekistan has been pursuing a new national policy aimed at creating new ideology, new history. The Russian language is being forced out of official correspondence and mass media. The number of lessons of the Russian language is curtailed: the number of academic hours for the Uzbek language exceeds that for the Russian language even in the so-called European schools. There have been cases of mass removal of the “Soviet period” books from libraries. At present the Latin alphabet is replacing the Cyrillic. The explanation is that the Latin alphabet is better “suited for the rendering of morphemes” of the Uzbek language.

The official authorities are rewriting history. The Russian and Soviet period are described as “occupation”. The Great Patriotic War is taught in educational establishments under the name of World War II, and Victory Day is renamed into Day of Remembrance and Honors. On that day not only those fallen during World War II are remembered but also victims of “Stalin”, Soviet repressions as well as fighters for independence (“Basmachi”).

Almost all the geographic localities, names of cities, villages, streets which this way or another are associated with Russia have been changed. All the monuments

of the previous epoch have been pulled down. Indignation in Russia (though, to tell the truth, not as strong as with respect to the Tallinn “Bronze Soldier”) was aroused by dismantling the monument to “Defender of Southern Borders” which, in the opinion of the President of Uzbekistan I. Karimov, “reflected the ideology of the old system”.

Even those monuments which show heroism and friendliness of the Uzbek people have been removed beyond the town borders. For instance, the monument to the Shamakhmudovs’, the family which at the time of the Great Patriotic War adopted 15 orphaned children, was removed from the avenue “Friendship of Peoples”. The monument to Uzbek Sabir Rakhimov, major-general, hero of the Great Patriotic War, was first dismantled and then removed to a new site.

### Token democracy

The democratic reforms in Uzbekistan are purely nominal. President of Uzbekistan I. Karimov who has been in office for over twenty years concentrates all power. Parliament regularly amends the Constitution extending the President’s term of office.

The regime manages to maintain stability against the background of political and military-political crises affecting the neighboring countries (Afghanistan, Kirghizia and Tajikistan). In 2005 in Uzbekistan an attempt was made to organize mass demonstrations (similar actions started the “Tulip” revolution in Kirghizia). However, they were immediately suppressed by the authorities using armored vehicles.

Yet, for all that, it is noteworthy that the security agencies of the Republic are effectively fighting against terrorism, extremism, fundamentalism, national separatism.

In the Freedom House rating for the mass media freedom Uzbekistan ranks 191st overtaking only Turkmenistan and North Korea. Printed and electronic mass media, television are under Government control. No criticism of the authorities, let alone the leadership of the country, is allowed. Rather often web sites of foreign information agencies, including those of Russia, are blocked.

### Prospects of Russian-Uzbek relations

The Republic is reluctant to participate in the integration processes in the post-Soviet space (unsuccessful experience of participation in the Eurasian Economic Community, passivity in the CIS). The official circles in Tashkent seem to have reacted without enthusiasm to the ideas expressed by the Chairman of the Government of Russia V. Putin in the article “The New integration Project for Eurasia: Future which is being born today”.

It can be attributed not only to the unwillingness of Uzbekistan to be committed to any multilateral agreements but to rather strained relations with the neighboring countries. One can mention here mined fields on the border with

- Oleg Popadyuk

Tajikistan, recent Uzbek pogroms in the South of Kirghizia, unsettled issues of water resources distribution in the region.

Cooperation with Russia is very profitable for Uzbekistan. Russia accounts for one third of all the exports of the Republic. In fact, its transportation network is linked to Russia. Natural gas produced in Uzbekistan is sold to “Gazprom” and supplied to customers through the Russian trunk gas pipelines. A big number of migrant workers working in our country could be added to the list. In the second quarter of 2011 alone they transferred to Uzbekistan over \$1 billion.

Nor can important security issues be neglected, as Russia is a guarantor of stability and peaceful development of this region.

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**In its foreign policy Uzbekistan is trying to maneuver among the interests of Russia, China and the USA.**

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In its foreign policy Uzbekistan is trying to maneuver among the interests of Russia, China and the USA. To illustrate, Tashkent refused to take part in creating the Collective Rapid Reaction Force (CRRF) in the framework of CSTO. It occurred when there was a thaw in relations with the USA: the sanctions imposed on Uzbekistan in connection with the events in Andijon were lifted. It is worth recalling that in 2003, when Uzbekistan found itself in international isolation, it signed an alliance treaty with Russia.

Given the fact that the Uzbek leader is well advanced in age (73), it is very difficult to predict the future of Russian-Uzbek relations. So far I. Karimov has not named his successor. It is not clear what forces will come to power after his departure, to what extent will change the political and economic systems whose stability the current President upholds.

Nevertheless, it is important to promote cooperation between Russia and Uzbekistan in several areas.

First, it is necessary to expand cooperation in the energy sphere, first of all in production and transportation of gas. The task is to avoid re-orientation of Uzbekistan toward other energy projects, to secure further transportation of the Uzbek gas to Europe through the Russian gas transport system. There are wide-ranging prospects for cooperation in the development of mineral resources (uranium ores, gold), use of water resources, in agriculture.

Second, consolidation of the military and political union is also listed as one of the priorities. Stability and security in the region serve the strategic interests of Russia. Together with the Uzbek side it is necessary to work out adequate responses to key present day challenges: terrorism, religious extremism, drug trafficking etc. Plans of the Uzbek leadership to purchase armaments from the USA could arouse concern.

Third, special attention should be devoted to cooperation in the humanitarian field. In Uzbekistan there are about 500 thousand Russian speaking people They are mostly highly qualified cadres. It is essential to improve the mechanisms of implementing the program of resettlement of compatriots, as well as support of the Russian speaking people in the Republic, promote projects on popularizing the Russian language, promote translations of Russian classics into the Uzbek language, work out special programs for studying Russian, provide teacher refresher courses.

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**Intensification of integration processes in the post-Soviet space is a kind of “response” to instability and turbulence in the world economy.**

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Russia and Uzbekistan are linked by thousands of commercial, manufacturing, transport, cultural and humanitarian ties. Progressive mutually beneficial development of relations serves the basic interests of the peoples of both countries, promotes welfare of the citizens. Intensification of integration processes in the post-Soviet space is a kind of “response” to instability and turbulence in the world economy. In Tashkent they understand that Uzbekistan has no other alternative to attaining the goals of economic growth. Therefore, Tashkent will, though unwillingly and with delays, take part in close cooperation with Russia and the neighboring republics.

## A Motherland without a “Critical Mass”

*Russia more than anybody else is interested  
in a full-fledged existence of Ukraine*

Andrey Okara

*Current Russian-Ukrainian relations are not based on the value system or a mobilization project common for the two countries and often remind of a dialogue between a mute and a deaf. Nevertheless, a full-fledged existence of Ukraine with the preservation of its specific social features may contribute to the systemic transformation of the Russian development model – from the current mobilization pattern to an innovative one.*

The Soviet political system tried to organize life in all 15 Soviet socialist republics according to one and the same pattern, based on a Union-wide model. Of course, local problems were present everywhere. Estonia, Georgia, or Turkmenia differ quite a lot in view of public relations, but the model of Soviet ideocracy in this or that way was supported everywhere – from Riga and Chisinau to Frunze and Alma-Ata.

### Talk between a mute and a deaf

The disintegration of the USSR caused the emergence of political regimes that were historically appropriate for particular nations and political systems. In the majority of cases, post-Soviet countries went back to their pre-Soviet past and original organic models of existence. Some countries got an oriental tyranny with a “Sun-president”, others – a corporate state without extremely rich and extremely poor, still others – an authoritarian regime built around a super-charismatic leader, and in other places we can see parliamentary republics with presidents – marshals of ceremonies.

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**Different understandings of the origin and goal of the supreme power in Russia and Ukraine, differences in political cultures and systems resulted in gross misunderstanding between Russians and Ukrainians.**

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It is interesting, that Russia got a super-presidential republic (“presidential monarchy”), while Ukraine received a peculiar semi-anarchic “Makhnovism”. Attempts to establish a “strong power” every time were and are met with active resistance – either by opposition, or by “humiliated and insulted” ripsnorters, or

Maidan is shuffling all political deals and forces to reassemble the popular assemblies of Kievan Rus and the Cossack Rada in the Zaporozhian Host.

Different understandings of the origin and goal of the supreme power in Russia and Ukraine, differences in political cultures and systems resulted in gross misunderstanding between Russians and Ukrainians – both at the level of political elites and regular citizens have impacted their mutual perception.

In general, Russian-Ukrainian relations often remind of a dialogue between a mute and a deaf.

It's rather difficult to explain to an average Ukrainian why Russia needs the Caucasus and Tatarstan, why it is fighting in Chechnya and spending lots of money to reconstruct this country, why it is trying to make a pale copy of an empire, why it organized the winter Olympics in the subtropics and why Russians wish to have Sevastopol. Is Russia short of lands, seas, and towns? It is so huge and vast! Why have a State Duma if “it is not a place for discussions”, and all political issues are resolved elsewhere?

At the same time, many Russians do not understand how one can live without a “strongman”, without Russian being an official language, why “all these Maidans”, why in Ukraine the name of the winner of the presidential elections becomes known only after the voting is over, and sometimes even later. And why the deputies in the Verkhovna Rada not only beat each other's faces, but sometimes break noses?

### It's better together

The same is true for the Russian miscomprehension to why Ukraine “seceded” and no longer wants to join the customs union, or EurAsEC, nor “renewed union”, but is striving to get into EU? It's obvious that it's better together, we're “nearly one and the same nation”!

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### **Only together with Ukraine was Russia turned into the empire – first Russian, then Soviet.**

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The “Ukrainian” issue for Russian nationhood during three and a half centuries has had an extraordinary meaning: the “Ukrainian” factor was a kind of “critical mass” for any Russian mega-project, because only together with Ukraine was Russia turned into the empire – first Russian, then Soviet. During the time of Khrushchev, Soviet propaganda even named Ukraine “the second among equals” of Soviet republics.

A skeptical smile of a layman addressing several republics of the former USSR is partially justified: yes, it was us, Russia, who built everything for you – factories, power plants, opera houses, theaters, universities, and cinema studios. This position is irrelevant towards Ukraine – first in the Russian empire and later in the

USSR, Ukraine was the initiator and not the recipient of modernization processes. Now, without Ukraine, Russia is again – either Moscovia, or the Muscovite kingdom or “the Island of Russia” (as named by Vadim Cymbursky). And it’s not the matter of smaller territory or population – without Ukraine Russia loses the imperial universality and diversity. The key identifying and imperializing vector becomes ‘Moscow – Kazan’ or ‘Moscow – Northern Caucasus’ instead of ‘Moscow – Kiev’. Instead on Pan-Slavism and Feast of Orthodoxy, some Eurasian option becomes the basis for ideology, while discussions about a historic coexistence of Christianity and Islam turns into a mandatory ritual of powers.

### Did Ukraine bury the USSR?

Actually, twenty years ago the end to the USSR was caused by two factors – the diarchy of Gorbachev-Yeltsin in Moscow, and a hard “no” from Kiev to any projects of a “renewed union”.

On December 1, 1991, the Ukrainian SSR conducted a referendum where 90.32 per cent of population voted for independence. In fact, it was the legitimization by the Verkhovna Rada of a resolution adopted on August 24 and the proclamation of independence.

It’s remarkable that this choice was defined by two causes, two different understandings of a Ukrainian future with independence and sovereignty. For some, for ‘romantic people’, the independence was an existential choice – the right of Ukraine and its people for self-fulfillment in world history. For the others, ‘pragmatic people’, independence first of all meant a social and economic optimization of living, they believed that without the Union central development of an effective state and economy will be simpler.

In the last two decades, tendencies of degradation prevailed over the modernization both in Ukraine and in Russia. Nevertheless, some specific nostalgia for the Soviet Union, or at least for a “renovated common state”, is mainly typical for elder people whose past youth and meridian of capacities coincided with the Soviet era. But for the overwhelming majority of Ukrainian citizenry, sovereignty and independence are real values. A poll conducted by the Kiev International Institute of Sociology in the summer of 2011 showed that 76.4 per cent of respondents consider the sovereignty of Ukraine as an absolute value.

### “Ukraine is not Russia”

The Ukrainian community during last twenty years has developed a clear opinion about modern Russia, though some stereotypes are still present. Russian political values and realities are not attractive for Ukrainians. That’s why among the arguments for the “unification” with Russia in whatever form (as a Slavonic Union, customs union, EurAsEC etc.), emotional reasoning prevails – “we are a single

nation”, “I’m Russian and I’m for the unification of Russia and Ukraine”, “it was perfect in the Soviet Union and now everything is ruined”, “Russia is a rich country and will help us”, “Russia was lucky to get Putin, and we are short of luck” etc.

All attempts to make Russia attractive for the Ukrainian society on the value level have failed. The Ukrainian public consciousness links Russia to a resource-based economy, uncompetitive political process, “uncivil” society, paternalistic expectations and behavior of its population, dependent courts, absence of private property, corruption, lack of freedom of speech, monocentric power, de-facto one-party political system, parliamentary and presidential elections where the result is known long before voting etc. While nearly a half of these characteristics are attributable to post-Soviet Ukraine as well, they accept them as negative features to be eliminated and see a realistic and reachable alternative to this situation in the European Union.

This feeling of mental and political difference from Russia is present in the title of President Leonid Kuchma’s book “Ukraine is not Russia”. The attitude of many Russians to Russian-Ukrainian issue can be expressed by the title of another well known book “What to do?” – meaning what to do with Ukraine.

An attempt to influence Ukraine on the level of values was taken even by Patriarch Kirill and the ROC: the concept of “Russian world” confronting “western civilization of consumption” was either offered to or imposed on Ukrainian society. “Common values of Russia and Belorussia” were mentioned, but this undertaking was not successful and recently was abandoned.

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**The independent Ukraine in the context of similar stereotypes and myths is often perceived by Russia as an external enemy (foe, adversary) and as an internal traitor who cunningly “separated” from the mother country.**

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Some Russian technologists of “soft power” try to build a commonality with Ukraine and Belorussia, a “Russian world” by the development of a “common cultural and informational space”. But to become a consumer of Russian pop culture – listen to Pugacheva, Zemfira, Kirkorov, Baskov, Russian rock, “Chanson” radio, watch Russian TV-shows and TV series (by the way – many of them were shot in Ukraine), one should live in the same state, or be a member of the customs union or stay within the same information space.

### External enemies and internal traitors

A constant need for external enemies and internal traitors is believed to be a specific feature of Russian political culture. The confrontation (or struggle) with the first and exposure to the second strengthens the legitimacy of any political regime –

that of Ivan the Terrible, Peter the Great, Stalin, or Putin–Medvedev, while the state ideology creates an image of the “last fortress” – a refuge of “true faith”, “a bulwark of communism”, or an “energy super country”. Such a system vitally needs its own “Judas” – former companion-in-power that emigrated: Prince Kurbsky, Hetman Mazepa, Lev Trotsky or Boris Berezovsky.

The independent Ukraine in the context of similar stereotypes and myths is often perceived by Russia as an external enemy (foe, adversary) and as an internal traitor who cunningly “separated” from the mother country. Both negative stereotypes overlap and intensify each other. That’s why in recent years the attitude of Ukrainians to Russians is more amiable than the attitude of Russians to Ukrainians, which Ukraine has demonstrated in all polls without exception.

### Russia and Ukraine – two poles of a single social structure

It has to be admitted that Russian-Ukrainian relations at the present time are not based on any profound system of values or any mobilization project common for both of them, and the vision for the future is replaced by emotions from the “common past”. These relations strongly depend on the current situation – world oil and gas prices, backstage agreements of the countries’ leaders, global geopolitical projects promoted by the USA, EU, and China etc.

But for Eastern Europe and the post-Soviet space, Russia and Ukraine act like two poles of a single social structure: Russian political system is based on monocentric power, Ukraine’s is drawn towards polyarchy. Imperial spirits are recovering at different levels of Russian society with the idea that Ukraine as a state is an unviable “historical mistake”, soon water finds its own level, and that Russia is facing a hard dilemma – empire or death etc.

From the viewpoint of competitiveness, Russia, more than anybody else, is interested in the full-fledged existence of Ukraine with the preservation of all specific features of Ukrainian society, rather than in a unification with that country and transformation of its political system into twin Russian systems (this trend was actively followed by the Victor Yanukovich regime). Only such a Ukraine can offer an efficient challenge for the Russian society and state, creating the prerequisite for the modernization and internal development of Russia. Precisely such a Ukraine may contribute to the systemic transformation of the Russian development model – from the current mobilization pattern to the innovative one.

This type of Russian-Ukrainian relationship can become mutually beneficial and help to transform both Russia and Ukraine into modern, well developed, and elaborate countries with such a wonderful life that their citizens will not need a mindset where they on a daily basis remind themselves “How great it was in the Soviet Union and how awful it was to lose it.”

## Russian Policy in the Post-Soviet Area: Cycles and Labyrinths

*Will Russia find an appropriate way out of the post-Soviet labyrinth?*

Irina Bolgova

*Twenty years after the collapse of the Soviet Union politicians and pundits are still concerned about the interests Russia should pursue in the post-Soviet area and prospects of their realization. The assessments of the Russian policy in the post-Soviet area range from highly pessimistic with doubts about the necessity of continued integration efforts to enthusiastic ones predicting a stronger political influence and economic growth of Russia due to greater cooperation with the closest geographic neighbors.*

**“A civilized divorce” as the “greatest geopolitical catastrophe  
of the 20th century”**

Difficulties involved in the construction of new independent states were similar for all the former Soviet republics, with one priority – not the least important – the necessity to change the relations with foreign partners. Russia had to integrate into the global democratic context, with the simultaneous resolution of the fundamental security problems in the disintegrated military and political space and creation of conditions for economic stabilization and further development. At the initial stage the external influence was decisive. The Russian leadership proclaiming a policy of “democratic solidarity” with the West focused on solving the most important problems: nuclear-free status of Ukraine, Belorussia and Kazakhstan, prevention of mass bloodshed in the conflict areas of Georgia, Transnistria, Nagorno-Karabakh, Tajikistan, maintenance of the minimal economic stability level inside the country.

The results achieved by 1994–1995 matched the efforts made. Due to certain pressure on the part of the international community primarily concerned about the nuclear problem, this issue was solved and taken off the agenda. The hot phase of the conflicts of self-determination in the newly formed independent states with Russia’s active mediation was over and the established *modus operandi* remained unchanged till August 2008. Russia linked its further economic development with material and ideological assistance of the West, which shaped the economic policy of the first half of the 1990s on the basis of “the Washington consensus”. The burden of vertically oriented links with the former Soviet republics, considerable indirect subsidies to the new national economies which often freeloaded on the

remaining links, were regarded as an obstacle to the movement in the new direction. Refusal to preserve the single ruble zone was natural and seminal for Russian relations with the post-Soviet space states. The step, tactically motivated, in many ways predetermined further controversies in the Russian strategy of economic interaction with the CIS countries.

### The burden of desires

Shortly after the phase of uncertainty in the post-Soviet space was over, when it became apparent that large-scale destabilization and irreparable harm to the continental and global security had been avoided, the Russian leadership was confronted with disappointingly cooling attention on the part of Western assistants. Changes in the rhetoric and practice of Russian foreign policy also affected the attitude to the post-Soviet space. The conceptual vision of future cooperation was set forth in the document “The Strategic Course of Russia with the States-Members of the Commonwealth of Independent States” (1995). In practice, Russian initiatives were confined to attempts of multilateral and bilateral reintegration of national economies. The decline of the real sector of the economy, lower industrial output, opening up of new markets for the products of developed countries stepped up the competition for Russian companies on the post-Soviet markets. It resulted in gradual curtailment of Russian exports to the CIS countries against the background of efforts to create institutional formats, above all various customs unions which could protect the regional markets from outside expansion. However, the similarity of the commodity range of the post-Soviet exports (mainly natural resources and agricultural produce) alongside with the desire to expand the circle of extra-regional partners predetermined the competitive character of foreign trade aspirations of the new independent countries. It hampered the promotion of Russian initiatives beyond the declaration level. The institutional projects remained in the logical context of “integration for survival”, collided with the counter-activity of major international operators and did not give Russia an opportunity to affirm its regional leadership. The tactical component was unfavorable: continued subsidizing of national economies (in the form of lower prices for energy resources as compared with the world prices) did not produce the desired political effect and was aggravated by the asymmetry of the results which were immediately visible to the partner states but whose effect was delayed and uncertain for Russia.

### Unavoidable responsibility

The present policy of Russia in the post-Soviet area in many ways is determined by this multifaceted post-bipolar legacy. Activity vectors of external players have been determined and not challenged since the early 2000s. Russia has

to further its national interests in the context of the military presence of the USA in Central Asia, greater economic influence of China, expansion of European Union activity formats in the western part of the CIS. Commitment to multi-vector foreign policy, a desire to determine by themselves the distance in relations with Russia are typical even of those states which are regarded as allies in the post-Soviet area. In this situation the goals of the Russian foreign policy consist in determining the parameters of multilateral interaction with the region on the basis of Russia's own interests which involve maintaining national security and forming the international economic centre capable of enhancing Russia's influence in the world.

As shown by the political crises of recent years (in Moldavia, Georgia, Kyrgyzstan), Russia is the only player able to assume responsibility and ensure stability in the post-Soviet space. Alongside with obvious internalization of conflict solution processes Russia continues to be the initiator of key stages of these processes and in many ways forms the international policy framework in which they unfold. After a short general bewilderment caused by the five-day war in August 2008 and its political aftermath, the involved players in one way or another recognized the right of Russia to determine mechanisms and level of foreign involvement in the situations of conflict and post-conflict settlement. Political declarations welcome the expansion of the circle of mediators; support the activity of existing multilateral formats and creation of new ones (for example, the Mezeberg Memorandum on Creation of the EU–Russia Committee on foreign policy and security issues on the ministerial level). However, the range of instruments of the Russian foreign policy is quite self-sufficient here.

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**The existing system of internal mutual links and outside influence determines the major paradox of the current situation: Russia acts as a major sponsor of economic and political processes in the sphere of its privileged interests and simultaneously is their major hostage.**

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At the same time the political issues depend on the pragmatic economic interests which is openly admitted in the seminal foreign policy documents of Russia. The promotion of integration initiatives is a method of increasing one's own economic resources, in particular due to the increase in the aggregate economic potential and rational use of the multilateral cooperation environment. Yet it is evident that the existing system of internal mutual links and outside influence determines the major paradox of the current situation: Russia acts as a major sponsor of economic and political processes in the sphere of its privileged interests and simultaneously is their major hostage. Meticulously assembled chain of

- Irina Bolgova

interdependence in the framework of collective security formats (first of all CSTO) and economic convergence (the Common Economic Space with the declared prospect of developing the Eurasian Union can be ruptured in one of its links; the donor state finds itself in a trap of necessity to keep it intact at all costs.

The major issue of the present-day development of Russia on the post-Soviet space is still a problem of finding a new basis for mutual relations which is not determined by the common past but oriented towards the commonality of the future. Integration as an end in itself does not make sense and has no prospects while common future should take into account the direction of the global development vector in order to have the potential to influence it.



**POST-SOVIET  
SPACE:**

**25** YEARS

**AFTER  
COLLAPSE  
OF THE USSR**



## Post-Soviet Azerbaijan: a Twenty Five Year Journey

Sergei Markedonov

*Azerbaijan is an important participant in economic and political processes in the South Caucasus and the Middle East. It is of interest both as a secular project in a country with a predominantly Muslim population and as a state with a diversified foreign policy. The international community is also starting to pay closer attention to Azerbaijan due to the importance of the Caspian Sea as an alternative source of energy supply for the European market. This article examines the main milestones in the domestic and foreign policy development of post-Soviet Azerbaijan from 1991 to 2016.*

October 18, 2016, marked the 25th anniversary of the adoption of the Constitutional Act on the State Independence of the Republic of Azerbaijan by the Supreme Council. The Act was based on the Declaration of the Supreme Council of the Republic of Azerbaijan on the Restoration of the State Independence of the Republic of Azerbaijan, which was adopted on August 30, 1991, and which proclaimed the restoration of Azerbaijani statehood.<sup>1</sup>

Over the course of a quarter of a century, Azerbaijan has managed to carve out a niche for itself on the international stage. The Republic has consistently followed a policy of balancing between the main centres of power (the West, Russia, Turkey and Iran) while not fully aligning its national interests with the approaches of its influential neighbours and external players, seeking to distance itself from integration projects (NATO, the European Union, the Eurasian Economic Union, the Collective Security Treaty Organization, etc.). At the same time, in the 25 years of its independence, Azerbaijan has failed to resolve the ethno-political conflict in Nagorno-Karabakh that it inherited from Soviet times.<sup>2</sup>

<sup>1</sup> For the full texts of these documents see: Office of the President of the Republic of Azerbaijan. Presidential Library. Constitution. URL: [http://files.preslib.az/projects/remz/pdf\\_en/atr\\_kons.pdf](http://files.preslib.az/projects/remz/pdf_en/atr_kons.pdf)

<sup>2</sup> At present, the unrecognized Nagorno-Karabakh Republic (NKR), formerly the Nagorno-Karabakh Autonomous Oblast (NKAO), is a *de facto* independent state that is outside the control of Baku. The NKR controls 92.5 per cent of the territory of the former NKAO, which made up 4400 square kilometres at the time of the collapse of the USSR. In addition, as a result of a military conflict in 1991–1994, the armed forces of the unrecognized republic occupied, with the support of Armenia, five regions of Azerbaijan (Lachin District, Kalbajar District, Qubadli District, Zangilan District and Jabrayil District) in their entirety and partially occupied two other regions (Aghdam District and Fizuli District), making up a total of 7400 square kilometres. In Azerbaijan, these regions are referred to as “occupied territories,” whereas the NKR and Armenia call them the “security belt” (“safety zone”). Be that as it may, we are talking about a total of 13.4 per cent of the territory of Azerbaijan that Baku and the international community considers to be an integral part of the Republic of Azerbaijan. For more details see: Kazimirov V. N. Peace for the Karabakh. Moscow: Mezhdunarodnye Otnosheniya, 2009.

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## Azerbaijan is the only post-Soviet state where power has been inherited.

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The Republic of Azerbaijan became the first (and thus far only) state in the post-Soviet space where power was passed from father to son. “Family rule” is the most important feature of the country’s development. On the one hand, this model has ensured internal stability, the secular nature of statehood, and the possibility of mutually beneficial cooperation with both the West and Russia. On the other hand, the lack of strong secular opposition has helped to strengthen the protest mood under radical Islamist slogans, and has made the authorities vulnerable to criticism from Baku’s Western partners, especially from the European Union.<sup>3</sup>

Twenty-five years is an important symbolic milestone that allows us to take stock of the initial results of Azerbaijani independence and analyse the mechanisms that have both ensured the Republic’s success and at the same time caused systemic problems that will require many years to resolve.

### From the Azerbaijan Soviet Socialist Republic to an independent Azerbaijan

During the time of glasnost and perestroika, the official press of the Soviet Union created an image of Azerbaijan as the main stronghold of the Communist Party of the Soviet Union and Soviet Power in the South Caucasus.<sup>4</sup> As a rule, three arguments were used to back up this argument. First, for many years, the country was essentially under the authoritarian rule of the former First Secretary of the Central Committee of the Communist Party of Azerbaijan, Heydar Aliyev (1969–1982), and his protégés (Aliyev was transferred to Moscow and became one of the most influential members of the Politburo of the Central Committee of the Communist Party of the Soviet Union).<sup>5</sup> Second, Aliyev’s supporters in Baku remained the most consistent conductors of the Central Committee of the Communist Party of the Soviet Union’s policies in the South Caucasus. Unlike Armenia and Georgia, for example, Azerbaijan was the only South Caucasus republic that took part in the referendum on the future of the Soviet Union “as a renewed federation of equal sovereign republics” on March 17, 1991. Third, up until perestroika and the emergence of the Popular Front of Azerbaijan (PFA), there had

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<sup>3</sup> Yunusov A. S. *Azerbaijan at the Beginning of the 21st Century: Conflicts and Potential Threats*. Institute for Peace and Democracy, 2007, pp. 154–174.

<sup>4</sup> *Azerbaijan and Russia: Society and State* / Edited and compiled by D.E. Furman. Moscow: Letny Sad, 2001.

<sup>5</sup> In post-Soviet Azerbaijan, July 14 marks the beginning of Heydar Aliyev’s ascent of the Soviet party ladder, as it was on this day in 1969 that he was selected the First Secretary of the Central Committee of the Communist Party. For more detail, see: S. Markedonov. *Holidays and Memorable Dates in the post-Soviet South Caucasus: History and Politics* // *Neprikosnovenny zapas*. 2015. No. 3 (101). URL: <http://magazines.russ.ru/nz/2015/3/20m.html>

never been an organized dissident movement in the country.<sup>6</sup> And even then, the appearance of the informal grassroots political party was not so much connected with calls for democracy as it was with resistance to the plans of the Armenian movement of the Nagorno-Karabakh Autonomous Okrug to unite with the Armenian Soviet Socialist Republic.

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**Azerbaijan was the only South Caucasus republic to take part in the referendum on the future of the Soviet Union “as a renewed federation of equal sovereign republics”.**

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The events that unfolded in the following years demonstrated just how simplistic these views were. In 1990–1991, the people of Azerbaijan managed to launch mass anti-communist protests of a similar scale to those carried out in Georgia and the Baltics, although at the time separatist sentiments among the people of Azerbaijan were not as pronounced as they were among Georgians, Estonians, Latvians and Lithuanians.<sup>7</sup>

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**Azerbaijan had experience of state building in 1918–1920.**

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Heydar Aliyev repeatedly proclaimed his “loyalty to Marxist-Leninist ideas,” although this did not prevent him from leaving the Communist Party in June 1991, two months before the State Committee on the State of Emergency was established, when numerous critics of the Communist Party among the people of Moscow and Leningrad remained members of the party, either out of caution or for other tactical considerations. It was his astonishing political instincts that prompted him to leave the party – to leave the all-union political arena, return to Azerbaijan and try to find firm support on home soil and risk starting his career anew, at a new level and on a different political plane.

Unlike Armenia, which left the USSR on the basis of the union’s legislation, Azerbaijan did not create its independence from scratch, but rather restored it. The Declaration on the Restoration of the State Independence of the Republic of Azerbaijan and the subsequent Constitutional Act in 1991 proclaimed that the new

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<sup>6</sup> The Popular Front of Azerbaijan was founded in the summer of 1989 and registered that autumn.

<sup>7</sup> Post-Soviet Azerbaijan has its own “axial age,” which was formed in opposition to the allied centre: on January 20, 1990, part of the Soviet Army was transferred to Baku, which resulted in 45,000 Azerbaijani people leaving the Communist Party of the Soviet Union. It was at the same time that a political consensus started to take shape in Azerbaijan – a consensus that remains to this day. The core postulates of this consensus are: the territorial integrity of the state through the establishment of jurisdiction in Nagorno-Karabakh; and the subordination of all foreign policy to this goal. Today, the people of Azerbaijan observe Martyrs’ Day every January 20. For more detail see: Azerbaijan and Russia: Society and State, Moscow, 2001.

state was the legitimate successor of the Azerbaijan Democratic Republic that existed from May 1918 to April 1920, and talked about the “Russian annexation” of the country, the colonial politics of Moscow and the “ruthless exploitation of Azerbaijan’s natural resources.”<sup>8</sup> The issue of the statehood of the Azerbaijan Soviet Socialist Republic was thus moved into the margins and seen as a deviation from the main course.

His reputation as “Brezhnev’s man” and “Andropov’s protégé” did not stop Heydar Aliyev, who had been named the third President of Azerbaijan,<sup>9</sup> from initiating the signing of the “Contract of the Century” in September 1994 with a western oil consortium and building strategic military and political cooperation with Turkey, a key NATO member.<sup>10</sup> At the same time, relations between Moscow and Baku were frosty at best until at least 2001.<sup>11</sup> Meanwhile, unlike Georgia, Azerbaijan was able to not only keep relations with Russia from escalating into something more dangerous that might have resulted in an open conflict, but even improve these relations to such an extent that, from 2001 onwards, they can be considered generally positive.

### The domestic political system: stability and its costs

Having become president, Heydar Aliyev started to follow a bizarre, but somehow internally rational combination of various schemes, ideas and notions of previous eras. In the administrative sense, he relied, without any false pretences, on the traditional Soviet version of the personal power of the First Secretary of the Communist Party of the Republic. The government structures of the Communist Party of the Soviet Union were modified to fit the specific features of the Azerbaijani state, but they effectively remained the backbone of governance at the local and regional levels. Ramiz Mehdiyev, Heydar Aliyev’s closest confidant from

<sup>8</sup> See: Office of the President of the Republic of Azerbaijan. Presidential Library. Constitution.

URL: [http://files.preslib.az/projects/remz/pdf\\_ru/atr\\_kons.pdf](http://files.preslib.az/projects/remz/pdf_ru/atr_kons.pdf). At the Paris Peace Conference in early 1920, the Azerbaijan Democratic Republic was de facto recognized by the Supreme War Council, but was never accepted into the League of Nations.

<sup>9</sup> Today, Heydar Aliyev is seen as the founding father of Azerbaijan’s independence. National Salvation Day is celebrated on June 15 every year, in honour of the day in 1993 when Heydar Aliyev was elected Speaker of the Supreme Council of the Republic of Azerbaijan. His predecessors in the post of President of the Republic of Azerbaijan were Ayaz Mutallibov (August 1991–May 1992) and Abulfaz Elchibey (June 1992–October 1993). See Yunusov, op. cit.

<sup>10</sup> A total of 13 companies from eight countries, including the United States, the United Kingdom and Turkey, were party to the “Contract of the Century.” For more details see: Mir-Babayev, M. F. *A Short History of Azerbaijani Oil*. Book 2. Baku. SOCAR 2012.

<sup>11</sup> Unlike Georgia, where Russia had a military presence until 2006, Russian forces (specifically, the 104th Guards Airborne Division) left Azerbaijan in May 1993. First President of the Russian Federation Boris Yeltsin did not make a single official visit to Baku during his time in office. It was only in January 2001 that Vladimir Putin made the first official visit by a President of the Russian Federation to Azerbaijan. The Baku Declaration and a Joint Statement on the Principles of Cooperation in the Caspian Sea were signed as a result of the visit.

their time working together in the Central Committee of the Communist Party of Azerbaijan, continues to head up the Presidential Administration of Azerbaijan, currently led by Ilham Aliyev, who has in many respects inherited this system of management from his father. At the same time, the communist ideology has been superseded completely and replaced by ideas of national independence and a revived statehood under the protection of the ruling New Azerbaijan Party. Nevertheless, the former First Secretary of the Communist Party of Azerbaijan occupies an incomparably greater place in the country's media landscape than the leaders of the Azerbaijan Democratic Republic in 1918–1920.

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### **Despite the apparently stable power structure, there are hidden risks for Azerbaijan's political future.**

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The position of the current government looks particularly strong: it does not face serious political competition at home and is resistant to all kinds of risks. It is telling that during the municipal elections in December 2014 the ruling party chose to decline the free airtime granted to it in accordance with the electoral legislation.<sup>12</sup>

In 2009 and 2016, President Ilham Aliyev (who had been elected to the post in 2003, 2008 and 2013), was able to make amendments to the Constitution of Azerbaijan, introducing changes to the Basic Law. Specifically, the restrictions on the number of terms a president can serve were lifted, the presidential term was extended from five to seven years, and the minimum age to run for presidency was abolished.<sup>13</sup> The package of amendments passed with relative ease, without causing any serious shockwaves inside the country or being subjected to strong pressure from the West.

However, it is precisely where potential hidden risks for Azerbaijan's political future are hidden, as the purpose of these amendments was not so much to ensure the creation of stable institutions, but rather to prolong the current leadership's stay in power. The achievement of this goal is accompanied by administrative pressure on opposition organizations. At the same time, Ilham Aliyev's strong positions cannot be explained solely by his authoritarian policies. The Azerbaijani authorities' stronghold on power has been "helped" greatly, first of all by the weakness and fragmentation of the opposition and its inability to put forward genuinely strong candidates, and secondly, by the lack of a serious alternative programme for the country's future development. The negative memories of the short-lived period under the rule of Abulfaz Elchibey's Azerbaijani Popular Front Party (June 1992 –

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<sup>12</sup> Mejid F. Azerbaijani Opposition Note Lack of Interest in Municipal Elections among the People // Caucasian Knot, December 1, 2014. URL: <http://www.kavkaz-uzel.ru/articles/253299/>

<sup>13</sup> Mejid F. Amendments to Constitution of Azerbaijan Come into Force // Caucasian Knot, March 31, 2009. URL: <http://www.kavkaz-uzel.ru/articles/152377/>; Mejid F. Experts Say Azerbaijani Constitutional Amendments Undemocratic // Caucasian Knot, July 22, 2016. URL: <http://www.kavkaz-uzel.ru/articles/286235/>

October 1993) traditionally play into the hands of the current leadership. Critics of the current system are usually associated with the figure of Elchibey. Chaos, the degrading system of governance and the escalation of the conflict in Nagorno-Karabakh are the first things that come to the minds of the Azerbaijani people when they think of this period in their country's history.

### Balancing foreign policy

Azerbaijan's entrance into foreign politics following the collapse of the Soviet Union was far from smooth. In the early 1990s, both Russia and the United States (for different reasons) adopted a pro-Armenian stance. In 1992, the United States Congress passed Amendment No. 907 to the Freedom Support Act that restricted assistance to Azerbaijan through state channels.<sup>14</sup> However, following Heydar Aliyev's visit to the United States in August–September 1997, changes were made to the amendment that effectively legalized certain forms of cooperation between the two countries.<sup>15</sup> From 1998, cooperation with the United States has been the most important long-term goal of Azerbaijan's politics. The line to take the interests of Washington and its preoccupation with Baku as an important energy partner and ally of Turkey into account have allowed the genial relationship between the United States and Azerbaijan to continue into the 2000s as well.<sup>16</sup> This has made it easier for the Azerbaijani leadership to resolve extremely complicated and delicate tasks associated with the transfer of power in the country along family lines, from father to son. Despite all its authoritarian tendencies, Azerbaijan never made the black list of “anti-democratic” states.

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**In 1998, cooperation with the United States became the most important long-term goal of Azerbaijan's politics.**

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In December 2015, the United States Congress passed the Azerbaijan Democracy Act of 2015 draft bill.<sup>17</sup> In response, the National Assembly of

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<sup>14</sup> Bill to Amend the Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992 to Repeal the Restriction on Assistance to Azerbaijan. URL: <https://www.congress.gov/103/bills/hr4617/BILLS-103hr4617ih.pdf>

<sup>15</sup> Galastyan A. Karabakh Twists in U.S. Foreign Policy // International Affairs. April 27, 2016. URL: <https://interaffairs.ru/news/show/15177>

<sup>16</sup> In the opinion of Jeffrey Mankoff, an expert at the Center for Strategic and International Studies in Washington: “Depending on the development of the global energy markets over the next ten years or so, we may see the supply of energy resources to Europe from the Caspian lose its significance. The United States will nevertheless support a pipeline through the South Caucasus as a means of ensuring geopolitical pluralism, but energy in itself will be less of a priority.” See: Jeffrey Mankoff on the Priorities of the United States in the Caucasus // Caucasus Times. February 10, 2014. URL: <https://caucasustimes.com/ru/dzheffri-mankoff-o-kavkazskih-priorit/>

<sup>17</sup> H.R.4264 – Azerbaijan Democracy Act of 2015. URL: <https://www.congress.gov/bill/114th-congress/house-bill/4264/text>

Azerbaijan prepared a draft resolution entitled “On the State of Human Rights in the United States” (the author of the resolution was Deputy Chairman of the Legal Policies and State Structuring Committee Rovshan Rzayev).<sup>18</sup> At the same time, other members of parliament made calls for their colleagues to wait for the so-called “Smith Bill” to be passed into law before over-dramatizing the situation, urging them to show restraint and not place Baku’s policies in opposition to the approaches of Washington, especially given the state of affairs in Nagorno-Karabakh.<sup>19</sup> The subsequent events related to holding a constitutional referendum in September 2016 confirmed that the measured response of the Azerbaijani establishment had been justified.<sup>20</sup> Washington has not done anything to exacerbate its differences with Baku. The confrontation with Russia over the events in Ukraine has turned many heads towards Azerbaijan as an alternative supplier of hydrocarbons to Europe, and the United States continues to turn a blind eye to the discrepancy between the political regime in the Caspian country and what it considers to be the norms of democratic governance. The model of “oil in exchange for democracy” continues to work.

For Azerbaijan, the European Union is a far less convenient partner.<sup>21</sup> Representatives of the European structures have criticized the political process in Azerbaijan, noting the manifold instances democracy and human rights violations and the abuse of power by officials at all levels. Despite this, Azerbaijan has nevertheless been included in the European Union’s Eastern Partnership initiative, alongside the supposedly more democratic countries of Georgia and Armenia. Meanwhile, unlike the European Parliament, the European Commission has traditionally avoided outright confrontation with Baku. And the biggest supporters of Baku’s active involvement in European affairs just so happen to be the most consistent allies of the United States on the continent, most notably Poland.<sup>22</sup>

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### **The United States is showing greater interest in Azerbaijan as an alternative supplier of hydrocarbons in Europe.**

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<sup>18</sup> Azerbaijan to Refuse Entry for U.S. Political Elite // Sputnik. December 23, 2015. URL: <http://ru.sputnik.az/azerbaijan/20151223/403152423.html>

<sup>19</sup> Murad, E. Member of Congress: Chris Smith’s Anti-Azerbaijan Bill does not Reflect the Position of the United States // Trend News Agency. December 24. URL: <http://www.trend.az/azerbaijan/politics/2473736.html>

<sup>20</sup> Referendum on Constitutional Change to Take Place in Azerbaijan on September 26 // RIA Novosti. July 26, 2016. URL: <https://ria.ru/world/20160726/1472880585.html>. Azerbaijan Holds Controversial Constitutional Referendum. September 26, 2016. URL: <http://www.rferl.org/a/azerbaijan-referendums-constitutional-changes-aliyev/28012681.html>

<sup>21</sup> “Europe has Violated the Code of Conduct”: Baku Threatens to Reassess Relations // EADaily, September 14, 2015. URL: <http://eadaily.com/ru/news/2015/09/14/evropa-narushila-vse-pravila-povedeniya-baku-mozhet-peresmotret-sotrudnichestvo-s-evronest>

<sup>22</sup> For details see Komorovsky at URL: <http://www.vestikavkaza.ru/news/Komorovskiy-Azerbaydzhan-%E2%80%93-mesto-dlya-provedeniya-dialoga.html> (in Russian)

Post-Soviet Azerbaijan is characterized by its complicated and contradictory policy towards Russia. The most basic bone of contention between the two countries has to do with Moscow's continued support of Armenia, effectively behind the back of Nagorno-Karabakh. In these circumstances, the essence of Baku's policies in the region are twofold. On the one hand, Azerbaijan wants to avoid a deterioration of relations with Russia and, wherever possible, respect its interests in the Caucasus. On the other hand, the Azerbaijani leadership is trying to maintain a grip on whatever levers of political influence it might have on Moscow, building an agenda for negotiations between the two sides in such a way that it will be able, sooner or later, to convince the Russian side to adopt a position on the settlement of the Nagorno-Karabakh issue that is more beneficial to Baku. Cooperation with the United States and its symbolic participation in projects that are essentially anti-Russian alongside Ukraine and Georgia (the GUAM Organization for Democracy and Economic Development) are viewed through the prism of checks and balances for the interests of Baku.

Of all its neighbours, the only country with which Azerbaijan has thus far managed to conclude an agreement on the delimitation and demarcation of the border is Russia, which took place in September 2010 following 14 years of difficult negotiations.<sup>23</sup> In July 2011, the heads of the ministries of foreign affairs of the two countries exchanged instruments of ratification. The direct dialogue between Azerbaijan and Dagestan, the largest constituent entity of the Russian Federation in the North Caucasus, is of great significance.<sup>24</sup> Baku is concerned about the growth of Islamism inside the country and in neighbouring Russian regions (particularly Dagestan) and has thus expressed its readiness for bilateral cooperation on security issues.<sup>25</sup> Russia is a supplier of arms to Azerbaijan, alongside Ukraine, Turkey and Israel, which creates difficulties for Moscow in its relations with Yerevan.<sup>26</sup>

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**“Swing politics” allows Azerbaijan to resolve several important practical issues with the support of Russia, the United States, the European Union and Turkey.**

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In the post-Soviet period, Baku demonstrated the ability to balance between other opposing interests in addition to those of Russia and the United States. In 1991, post-Soviet Azerbaijan, just like the Azerbaijan Democratic Republic in

<sup>23</sup> Agreement between the Russian Federation and the Republic of Azerbaijan on the State Border dated September 3, 2010. URL: [http://base.spinform.ru/show\\_doc.fwx?rgn=31976](http://base.spinform.ru/show_doc.fwx?rgn=31976)

<sup>24</sup> For more detailed information on the Dagestani dimension of Russia–Azerbaijan relations, see: Russia–Azerbaijan Relations – The Dagestani Dimension // Politcom.ru. May 13, 2016. URL: <http://politcom.ru/21091.html>

<sup>25</sup> Vlasov A. Men's Work // Rossiyskaya Gazeta – Azerbaijan. No. 5893 (220). September 25, 2012. URL: <https://rg.ru/2012/09/25/bezopasnost.html>

<sup>26</sup> Reznikov A., Bogdanov Y. Russia Managing to Make Profits Delivering Arms to both Azerbaijan and Armenia // Vzglyad. April 8, 2016. URL: <http://vz.ru/world/2016/4/8/804094.html>

1918–1920,<sup>27</sup> turned to Turkey as a strategic partner.<sup>28</sup> However, relations between Azerbaijan and Turkey are not as feudatory as they were in 1918–1920. Azerbaijan remains flexible on issues where it is not ready to fully align its positions with Ankara, including the situation in Syria (the Turkish side wants to see the departure of Bashar al-Assad and supports “moderate Islamists”), the Russia–Turkey confrontation of late 2015 to early 2016, and the Turkey–Israel confrontation of 2010–2016.<sup>29</sup>

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**The warming in relations with Iran has not stopped Baku from building friendly relations with Israel, an important economic and military-technical partner for Azerbaijan.**

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Azerbaijan has managed to overcome the negative trends in bilateral relations with Iran, a traditional competitor of Turkey in the Caucasus and the Middle East. The efforts of Azerbaijan and Iran to meet each other halfway that began in 2004–2006 before being halted during the presidency of Mahmoud Ahmadinejad (2005–2013) were renewed in 2014. However, the warming in relations with Iran has not stopped Baku from building friendly relations with Israel, which has turned into an important economic and military-technical partner for Azerbaijan in the post-Soviet years.<sup>30</sup>

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Despite the existing problems, Azerbaijan has managed in recent years to maintain positive relations with both Moscow and Washington much better than the other former Soviet states. The “swing politics” that Baku has chosen allow Azerbaijani diplomats to resolve numerous important practical issues with the support of Russia, the United States, the European Union and Turkey. In its domestic politics, Baku has chosen to follow a course to strengthen stability and the powers of the incumbent president.

<sup>27</sup> Volkhonsky M., Mukhanov V. Following in the Footsteps of the Azerbaijan Democratic Republic. URL: <http://library.khpg.org/files/docs/1359453565.pdf>

<sup>28</sup> Ankara provided assistance to Baku during the Armenia–Azerbaijan conflict surrounding Nagorno-Karabakh (1991–1994), closing the border between Armenia and Turkey in 1993. Unlike 1918–1920, however, full-scale intervention in Armenia on the part of Turkey did not happen. In the 2000s, Turkey supported Baku in its disputes with Tehran in the Caspian Sea and acted as a kind of lobbyist in international organizations (for example, during voting in the UN on the Karabakh issue). For more details see: Political Risks in the South Caucasus Region. URL: [http://www.minchenko.ru/netcat\\_files/File/Political%20risks%20in%20the%20South%20Caucasus%20region.pdf](http://www.minchenko.ru/netcat_files/File/Political%20risks%20in%20the%20South%20Caucasus%20region.pdf)

<sup>29</sup> Markedonov S. Russia–Turkey Relations and Security Issues in the Caucasus // Valdai Paper No. 45. April 20, 2016. URL: <http://ru.valdaiclub.com/a/valdai-papers/valdayskaya-zapiska-45/>

<sup>30</sup> Kosolapova E. Israeli Ambassador: Azerbaijan Could Serve as an Example of the Peaceful Coexistence of Different Peoples and Religions // Trend News Agency. November 7, 2016. URL: <http://www.trend.az/azerbaijan/politics/2682134.html>

■ Sergei Markedonov

The Azerbaijani authorities have been able to appeal to the various fears of society. For pro-Western intellectuals, it is attractive at the very least as a “lesser evil,” the personification of the principles of secularism and active (especially economic) cooperation with the United States and the European Union. Complaints with regard to restrictions on civil freedoms are compensated by concerted efforts to contain the Islamist threat. For the rural population, the current government is attractive for its paternalistic leanings. The interest in strengthening the army (against the background of the Nagorno-Karabakh conflict) makes the military a serious ally. Stability is also an attractive political commodity for ordinary citizens who, against the background of a turbulent Middle East (and now Turkey, which is linked to Azerbaijan by dozens of different threads), see chaos, rather than democracy, to be the only possible alternative to authoritarianism.

## End of an Underwhelming Era: Why Armenia Needs Changes

Mikael Zolyan

*Armenian statehood has shown relatively good results over the 25 years of its independence. Despite conflicts with neighbours and quite a turbulent domestic political life, Armenia has managed to maintain relative stability inside the country and achieve certain foreign policy goals. However, the current economic downturn and the aggravation of regional conflicts make it clear: Armenia sorely needs to modernize its economic and political system in order to respond to new challenges.*

### Twenty five years of independence: achievements and problems

On September 21, 2016, Armenia celebrated the 25th anniversary of its independence. And the country has achieved some impressive results in that time. Its previous experience of independence lasted just two-and-a-half years: the so-called First Republic of Armenia proclaimed in late May 1918 existed until December 1920. Compared to certain other post-Soviet states, Armenia looks to be in relatively good shape. Despite the rather turbulent domestic political life in the Third Republic (Soviet-era Armenia is referred to as the Second Republic), Armenia has avoided revolutions and civil wars. While the current political regime in the country can be described as being rather authoritarian, is quite liberal compared to the regimes in some other post-Soviet states, for example, in Central Asia. As for foreign policy and security, Armenia has managed to deal with the most complicated geopolitical challenges over the last quarter of a century more or less successfully.

However, the events of July 2016, when the Armenian police clashed in Yerevan's Erebuni District with armed activists who had taken control of a police regiment building and were demanding the president's resignation, showed that the country faces serious challenges.<sup>1</sup> Although the incident was not followed by a national insurrection, which the armed activists had called for, thousands of people flooded the streets demanding the president's resignation. The fact that many Armenian citizens actually supported the group's actions in one form or another showed that there is a certain disconnect between government and society in the country.

<sup>1</sup> Armed Revolt in Yerevan: Chronicle of Events // Izvestia. July 17, 2016. URL: <http://izvestia.ru/news/622614>

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**Armenia quite successfully responded to geopolitical challenges both in terms of a foreign policy and security.**

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If the events of July demonstrated that Armenia has domestic political problems, then the developments of April 2016 served as a warning that foreign policy also needs close attention. The so-called “Four-Day War” in Nagorno-Karabakh in 2016 proved that an escalation of the conflict is more likely than many thought it was. Moreover, although Armenia did not have to enter a large-scale war (troops of the unrecognized Nagorno-Karabakh Republic were mainly involved in the clashes), it is obvious that Armenian troops have several problems ranging from technological inferiority in certain areas to problems with supplies, not to mention the need to fight corruption.

At present, there is a widespread opinion both inside Armenia and among the Armenian diaspora that the country needs to fundamentally transform its political and economic systems. In September 2016, the Armenian-Russian businessman Ruben Vardanian, who is known for its charity projects, said in a rather difficult interview that “the model of governance built over the years in Armenia has exhausted itself.”<sup>2</sup> However, Vardanian hastened to add that the people should support the President and Prime Minister and help implement the necessary reforms. However, the cautious criticism of a person like Ruben Vardanian is very significant: influential representatives of the Armenian diaspora usually refrain from making critical statements. The need for fundamental changes was also mentioned in a collective letter “The Future for Global Armenians Is Now” published in *The New York Times* and signed by well-known representatives of the Armenian diaspora, including Charles Aznavour, Ruben Vardanian and Abel Aganbegyan.<sup>3</sup> In the Armenian political context, the idea of promoting the Armenian diaspora is quite clear: Armenia faces serious challenges and major changes are required to cope with them.

### Hybrid regime: specifics of the Armenian political system

The Armenian elites have had cause for concern in the past as well: the country’s political system has been periodically subjected to strength tests. The political regime of post-Soviet Armenia can be characterized as a “hybrid regime,” or “competitive authoritarianism.” This regime implies the existence of political competition. However, the government has structural advantages in the face of

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<sup>2</sup> Ruben Vardanyan “We Will Have no Other Opportunity” // MediaMax. October 21, 2016. URL: <http://www.mediamax.am/ru/news/interviews/20295/>

<sup>3</sup> The Future for Global Armenians Is Now // IDEAFoundation. October 28, 2016. URL: <http://www.idea.am/en/news/2016/10/28/The-Future-for-Global-Armenians-is-now/>

relatively strong opposition and the elections are usually won by those already in power. Such regimes are often instable. This is where the “colour revolutions,” or at least attempts to topple the government through public protests, take place.

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**In the Armenian political context, the idea of promoting the Armenian diaspora is quite clear: Armenia faces serious challenges and major changes are required to cope with them.**

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The political system in Armenia is no exception. The first crisis of this broke after the 1996 disputed presidential elections, before anyone had even heard of these “colour revolutions.” Practically all the presidential elections (in 2003, 2008 and 2013) have followed the same pattern: the pro-government candidate is declared the winner; the opposition refuses to accept the outcome, which gives rise to protests that are subsequently suppressed. The crackdown does not normally last for long: restrictions on the freedom of expression and assembly are soon repealed; arrested oppositionists are released sooner or later; and the opposition is allowed to participate in the next elections, sometimes even winning seats in the parliament or local self-government bodies. Such a thaw, on the one hand, defuses domestic political tension, while preserving the façade of a democratic system to avoid problems with western partners and donors on the other.

It is possible that the constitutional reform according to which Armenia is supposed to be a parliamentary republic is dictated by the political elite’s wish to get rid of this election and protest cycle. Naturally, this transition to a parliamentary form of government is officially explained by Armenia’s further democratization. However, it is hard to omit that the second presidential term of Serzh Sargsyan comes to an end in 2018 and the constitutional reform may permit him to stay in power after expiration of his presidential powers, for instance, as a prime minister. Besides, the new constitution adopted during a referendum in December 2015 has several provisions obviously set forth to prevent the ruling party’s failure at elections. If no party or coalition has a majority of votes, the second round of elections between the two parties that received most votes is to take place. The Armenian opposition’s weakness permits to anticipate that the ruling republican party is very likely to win the parliamentary election. However, the July events show that if the government is unable to cope with challenges the country faces, the opposition’s weakness does not guarantee a quiet life to political elites and, on the contrary, can lead to protest radicalization.

### How Armenia failed to become Singapore: Armenian economic problems

One of the challenges we are talking about is socioeconomic problems. Armenia does not have any impressive achievements to speak of in terms of socioeconomic development at the present time. However, the country recorded slight economic

growth in the 2000s. The Armenian government even named Armenia “a Caucasian tiger,” drawing an obvious analogy between the country and Singapore, a favourite example for post-Soviet modernizers. However, critics of the government emphasize that Armenia’s economic achievements were exaggerated in many ways and failed to ensure a qualitative transformation of the country’s economy. Besides, economic growth did not help eradicate corruption and mismanagement, and the distribution of profits generated by economic growth was very unequal: the main beneficiaries of the “Caucasian tiger’s leap” were government officials and big business – categories that are hard to separate in the post-Soviet Armenia.

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**Armenia’s economic achievements failed to ensure a qualitative transformation of the country’s economy.**

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As a result, Armenia turned out to be ill-equipped to respond to the global economic crisis when it came. In 2009, the Armenian economy experienced a 15 per cent decline in GDP,<sup>4</sup> and in 2011, *Forbes* named the country among the ten worst economies in the world. More precisely, Armenia ranked second in the rating (Ukraine was fourth).<sup>5</sup> The economy has stabilized since then, but Armenia failed to ensure the growth rates recorded in the 2000s. One of the consequences of the crisis was the mass migration, particularly of Armenian labourers to Russia.<sup>6</sup> The situation has started to worsen once again in recent years due to economic problems in Russia and other post-Soviet countries. However, as Armenia does not export energy resources, the falling global oil and gas prices have not directly affected Armenia. The Russian economic downturn has had an impact on the situation in Armenia, however. Financial flows from migrants have shrunk, and the difficulties associated with the supplies of Armenian goods and the devaluation of the Russian rouble have weakened the competitiveness of Armenian goods on the Russian market.

The economic decline leads to cuts in public spending. As a result, the government tries to find new sources of budget receipts, often at the expense of the people. Attempts to solve financial problems at the population’s expense regularly lead to resistance and protests. One of the most famous protests was the so-called ElectroMaidan protest against the hike in electricity prices in June 2015.<sup>7</sup> However, similar protests have taken place in the past as well: against rising public transport prices in Yerevan in 2013; against the pension reform in December 2013, according

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<sup>4</sup> Armenia Relinquishes its Positions in the Forbes List of the Best Countries for Doing Business // Radio Azatutyun. September 10, 2010. URL: <http://rus.azatutyun.am/a/2153967.html>

<sup>5</sup> Daniel Fisher. The World’s Worst Economies // *Forbes*. July 5, 2011. URL: <http://www.forbes.com/sites/danielfisher/2011/07/05/the-worlds-worst-economies/#3e8eca8130bc>

<sup>6</sup> Emigration from Armenia: Why Armenian Migrants Move and Where they Move to // Verelq News & Analysis. March 31, 2015. URL: <http://verelq.am/ru/node/626>

<sup>7</sup> ElectroMaidan Puts Pressure on Moscow // *Gazeta.ru*. June 24, 2015. URL: [https://www.gazeta.ru/politics/2015/06/24\\_a\\_6852729.shtml](https://www.gazeta.ru/politics/2015/06/24_a_6852729.shtml)

to which pension payments were to increase, etc. The government usually makes partial concessions and manages to cope with such situations. As a result, protests gradually decline, but a threat of new protests on socioeconomic grounds remains.

### Karabakh and the problem of the legitimacy of the political elite

Regardless of how dangerous protests are, the Nagorno-Karabakh problem combined with the socioeconomic challenges represent a far more dangerous situation for the Armenian government. It is difficult to overestimate the importance of Nagorno-Karabakh in Armenian politics. The roots of Armenia statehood can be traced back to the Karabakh movement that began in 1988. And this statehood only got stronger as a result of the war with Azerbaijan. It is for this reason that, until recently, the Karabakh issue played a key role in legitimizing the Armenian government until recently. The backbone of the Armenian political elite included people that came to power as a result of the Karabakh movement and victory in the Karabakh war. During the years of peace, the political elite conditioned its power on the need to maintain the existing status quo in Nagorno-Karabakh: domestic political perturbations were considered dangerous as Azerbaijan, intending to change the current status quo by force, could profit from them.

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**Until recently, the Karabakh issue played a key role in legitimizing the Armenian government.**

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Furthermore, until recent events, this argument was implicitly accepted by the Armenian opposition as well, which, unlike the Ukrainian opposition, avoided open confrontation with the government. Figuratively speaking, if the social contract between the government and society implied a scheme of “well-being in exchange for waiving political freedoms” in several other post-Soviet countries, in particular in Central Asia and Azerbaijan, then this contract was somewhat different in Armenia: the government was forgiven for its economic failures, corruption and electoral manipulations as long as it managed to maintain the status quo and relative security of Nagorno-Karabakh. However, the “four-day war” in 2016 and subsequent events called into question this important element of the Armenian political system.

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**The “four-day war” in 2016 proved that the status quo will change, either as a result of a compromise, or continued attempts to change it by force.**

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Firstly, the events of April revealed certain problems in the armed forces. The military reshuffle showed that serious changes were needed in that sector: the high-ranking military officials A. Mirzabekyan, A. Karapetyan, and K. Muradyan, who

were responsible for supplies, intelligence and communications were dismissed in April.<sup>8</sup> In September, Minister of Defence of the Republic of Armenia Seyran Ohanyan was replaced by former Chief of the Presidential Administration Vigen Sargsyan.<sup>9</sup> What is more, the events of April were followed by a more active negotiation process concerning Nagorno-Karabakh, and the media began to publish information about the alleged withdrawal of Armenian troops from certain areas of the so-called security zone in exchange for opening communications and recognizing the temporary status of Nagorno-Karabakh.<sup>10</sup> It is believed that Robert Kocharyan and Serzh Sargsyan came to power by playing the Karabakh card, and Levon Ter-Petrosyan lost power because his position on Karabakh was quite soft. Therefore, the rumours about possible concessions from the Armenian side have become a time bomb for the ruling elite. In the past, the Karabakh issue was used as a tool for bringing society together and neutralizing opponents; now the opposite is true. The readiness to make unilateral concessions on the Karabakh issue was one of charges that oppositionists put on the government during the July crisis, although, given the secrecy of negotiations over Nagorno-Karabakh, it is hard to say whether or not those rumours were true.

In any case, the Armenian government was in a difficult situation. The events of April showed that a return to the relative calm of the 2000s is unlikely: the status quo will change either as a result of a compromise, or continued attempts to change it by force. A compromise is unlikely, as parties have adopted opposing positions on the matter. This means that Armenia needs to mobilize all its forces and resources to stand against attempts to resolve the problem by force on the part of Azerbaijan, a country with richer economic and demographic resources. It is obvious that such mobilization will only work if there is an effective system of governance and a dynamically developing economy in place: only in this case Armenia will be able both to resist pressure from Azerbaijan and negotiate an equitable compromise solution to the conflict in the future.

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Is the Armenian elite aware of the need for change? In September 2016, a new government came to power in the country:<sup>11</sup> Karen Karapetyan became Prime Minister; he is a technocrat perceived in Armenia as a new person in the political

<sup>8</sup> Armenian President Dismisses Several High-Ranking Officials // Ren TV. April 26, 2016. URL: <http://ren.tv/novosti/2016-04-26/prezident-armenii-otpravil-v-otstavku-ryad-vysokopostavlennyh-voennyh>

<sup>9</sup> Vigen Sargsyan Appointed Minister of Defence of the Republic of Armenia: What to Expect // Inosmi. October 4, 2016. URL: <http://inosmi.ru/military/20161004/237963546.html>

<sup>10</sup> Sergey Lavrov Comes Between Two Friends // Kommersant. April 23, 2016. URL: <http://kommersant.ru/doc/2972354>

<sup>11</sup> Armenian Premier Abraamyan resigned // RIA News. August 8, 2016. URL: <https://ria.ru/world/20160908/1476377011.html>

elite. Many have placed great hope in his cabinet, where several well-known oligarchs were replaced with technocrats in the mould of Karapetyan. It is difficult to say whether the new government will be able to profit from this good will and implement the required reforms. It is obvious that any attempts to implement serious changes will be come up against strong resistance from some domestic elite groups whose interests will be affected by the reforms. However, one gets the impression that at least part of the Armenian political and economic elite is starting to understand that a quarter of a century after becoming independent the country needs serious changes to respond to present-day challenges.

## **Balkans Twenty Five Years after Communism: still the Powder Keg of Europe**

*Alina Yablokova*

*Post-Communist Balkan states that aligned themselves with the Soviet Union during the Cold War, have been going through an arduous social, political and economic transition since the superpower's demise 25 years ago. The region is still beset by institutional dysfunctions and corruption, macroeconomic fragility and resistance to reforms, ethnic and intra-regional tensions, as well as trying to find a viable equilibrium between the European Union and Russia. A rigorous mediation and guidance efforts as well as strong willpower from the local political elites are needed to turn the troubled region around.*

When the processes that triggered the dissolution of the Soviet Union began in late 1980s, a shockwave was felt throughout the communist Eastern Europe. The breakup of SFR Yugoslavia set off almost simultaneously. Staunch USSR allies in the Balkan peninsula, Bulgaria and Romania, experienced growing social discontent with the communist rule and existing leaders were swiftly ousted.

This article deliberates upon the political, economic, intra-regional and foreign affairs in the former USSR-aligned Balkan countries. These are today's Bulgaria, Romania, Albania and former Yugoslavia (USSR-aligned until 1948): Serbia, Kosovo,<sup>1</sup> Montenegro, Bosnia and Herzegovina, FYR Macedonia, Croatia and Slovenia. Among those, Bulgaria, Romania and Albania (until 1968) were also part of the Warsaw Pact, a defense treaty among seven Eastern Bloc states and the Soviet Union that guaranteed mutual protection if a member-state found itself in jeopardy.

Four of the countries under consideration in the present report are today European Union members: Slovenia, Croatia, Bulgaria and Romania. Four others are EU accession candidates – Albania, Serbia, FYR Macedonia and Montenegro. The EU enlargement has been a notable driver for the political and economic transition to democratic systems of government and market economy. At the same time, most countries in the Balkan peninsula remain closely tied with modern Russia.

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**Its geostrategic positioning as the “borderland” between the West and Russia make it arena for a clash between the two powers.**

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<sup>1</sup> Disputed territory that unilaterally proclaimed independence from Serbia in 2008.

Over the past 25 years, the countries in the Balkans have emerged as independent entities with distinctive national interests and pursuing autonomous policies. However, all have been to various degree affected by shared challenges affecting the regional development at large: political and institutional instability; weak economy in transition; post-conflict reconstruction and persistent ethnic division; and integration into Euro-Atlantic institutions melded with close partnership with Russia.

After the assassination of Franz Ferdinand, the heir to Austria-Hungary empire, in Sarajevo in 1914 triggered the First World War, the Balkans were dubbed “the powder keg of Europe”. Indeed, a series of small conflicts set off the first global conflict. The challenges that the region is facing today make it a very volatile entity. Its geostrategic positioning as the “borderland” between the West and Russia make it arena for a clash between the two powers. Therefore, the Balkans remain a powder keg that could be easily ignited.

### Inherent constitutional fragility

The collapse of communism in the former Eastern Bloc brought about socio-political turmoil. Former Yugoslav states went through a series of bloody ethnic wars and insurgencies upon the breakup of Yugoslavia and were not able to kick off a political transition until after the peace settlement in the late 1990s.

Political systems in the Balkans states are fragmented, bickering between parties and leaders often results in frequent parliamentary crises and stalemates. Present offices were formed as a result of snap elections in Bulgaria (2014), Serbia (2016), and Croatia (2016). FYR Macedonia will hold early elections in December 2016 in an attempt to resolve a long-standing political crisis. The possibility of snap elections was recently raised in Kosovo,<sup>2</sup> Albania<sup>3</sup> and Slovenia.<sup>4</sup> The governing elites in the Balkans struggle to establish a functioning political model and allow disaccords to imperil the stability in their respective countries.

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**Political systems in the Balkans states are fragmented, bickering between parties and leaders often results in frequent parliamentary crises and stalemates.**

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<sup>2</sup> Morina D. Snap Election Won't Solve Kosovo's Crises, Experts Warn // BalkanInsight. October 26, 2016. URL: <http://www.balkaninsight.com/en/article/kosovo-talks-snap-elections-amid-growing-citizens-discontent-10-24-2016>

<sup>3</sup> Mejdini F. Albania Mulls Elections to Break Reform Logjam // BalkanInsight. July 19, 2016. URL: <http://www.balkaninsight.com/en/article/albania-mulls-snap-elections-07-18-2016>

<sup>4</sup> Majority against Snap Election, Shows Delo Poll // STA. October 03, 2016. URL: <https://english.sta.si/2309741/majority-against-snap-election-shows-delo-poll>

Bosnia and Herzegovina is a striking example of a fragmented political system inherited from the Bosnian War of 1992–1995, a conflict along ethnic and religious lines. The ethnic schism was institutionalised in the Dayton Peace Accord of 1995 that sanctioned two entities within BiH with a wide-ranging autonomy and a strong ethnic demarcation between Bosniaks, Croats, and Serbs. The presidency of BiH is a three-member body that collectively serves as head of state. The dysfunctions of the Bosnian system were exposed in 2010, when disagreements between Bosniak and Croat leaders impeded the election of a legitimate president and two vice presidents in a deadlock which lasted 15 months.

More recently, in November 2015, the Constitutional Court stated that the celebration of the Day of Republika Srpska, one of the two legal entities of BiH, on 9th January was unconstitutional and discriminatory against people of non-Serbian and non-Christian backgrounds. In late September the entity's president, Milorad Dodik, held a referendum on whether the National Day celebration should remain unchanged and 99.8 per cent voted<sup>5</sup> in favour of keeping the date. The popular vote went ahead despite a Constitutional Court ruling that had earlier prohibited the consultation. Hence, Dodik openly objected the legal authority of the Court and consequently of the Dayton Agreement. This establishes a perilous precedent in an already fragmented political system. Additionally, the incident signals a need for a robust constitution in BiH that would provide for accountability mechanisms that are currently lacking.

Another major symptom of institutional fragility is the endemic corruption and cronyism that are an enduring hindrance to the political and economic development of the region. According to the Transparency International (TI) Corruption Perception Index,<sup>6</sup> which combines expert analysis with survey results, the observed levels of corruption in the region are relatively high compared to Western Europe. With an exception of Slovenia that saw its ranking deteriorate over the past five years, the corruption perception has been consistently improving over the past 10 years across the Balkans. However, the progress has been generally sluggish.

According to a poll by the International Republican Institute (IRI) Center for Insights in Survey Research, 98 per cent of Serbian citizens see corruption as an serious problem.<sup>7</sup> In another recent study, conducted by the Institute for

<sup>5</sup> Katana G. Bosnian Serbs Vote Overwhelmingly for Holiday Disputed by a Top Court // Reuters. Sept. 25, 2016. URL: <https://www.reuters.com/article/us-bosnia-serbs-referendum/bosnian-serbs-vote-overwhelmingly-for-holiday-disputed-by-a-top-court-idUSKCN11V00F>

<sup>6</sup> Corruption Perceptions Index 2015 // Transparency International. URL: <https://www.transparency.org/cpi2015>

<sup>7</sup> IRI Serbia Poll: 98% See Corruption as Serious Problem; Concerned About Economy & Employment; Majority Say Economic Prosperity More Important Than Democracy // IRI. Sept. 21, 2015. URL: <http://www.iri.org/resource/iri-serbia-poll-98-see-corruption-serious-problem-concerned-about-economy-employment>

Democracy and Mediation (IDM), 41 per cent of Albanian polled claimed that they witnessed acts of corruption taking place in their municipal government.<sup>8</sup> As for Bulgaria, Exacta Research Group found out in a recent survey that tolerance to corruption is low with 94 per cent of respondents condemning bribe-giving.<sup>9</sup> Concurrently, 77 per cent believed that it was unlikely for an offender to be charged with corruption in Bulgaria.

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### **Corruption and economic hardship are key reasons for the intensifying social discontent in the region.**

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In fact, TI has concluded in its 2011 National Integrity System Assessment of Bulgaria that the country's anti-corruption measures had not matched the expectations established within the government's legal framework.<sup>10</sup> Due to the inadequate anti-corruption action, the judiciary is distrusted. An aspiring EU candidate, Albania, has also witnessed a mismatch between the public administration anti-corruption action plan and the reality of the fight against corruption. The number of successful investigations, prosecutions and convictions for corruption remains low. In fact, no top official has ever been found guilty of corruption and some Albanian political parties are led by people who were controversially acquitted of corruption charges.<sup>11</sup>

Corruption, along with economic hardship has recently caused major discontent in the Balkans. Countries in the region saw mass popular mobilisation opposing corruption, abuse of power and dereliction of duty by their governing elites. The Romanian Prime Minister Victor Ponta was forced to leave the cabinet as a result of civil discontent. The centre-right government in Croatia fell apart in June after only six months in power amid corruption allegations around Prime Minister Tomislav Karamarko and when people took to the streets of Zagreb. In 2015–2016, the opposition in Macedonia accused Prime Minister Nikola Gruevski of wide-ranging corruption and wiretapping. This sparked a series of violent protests and immersed the country into a profound political crisis that could potentially be resolved in the upcoming December snap elections 2016.

The analysis of the corruption problem demonstrates that it remains strongly embedded in the political institutions and the judiciary system of the Balkan states. It impairs both political and economic spheres and affects lives of people daily. Remarkably, despite the fact that political liberalisation and institutional and

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<sup>8</sup> Opinion Poll 2015: Trust in Government // Institute for Democracy and Mediation. URL: [http://idmalbania.org/wp-content/uploads/2016/02/Opinion-Poll\\_trust-in-government\\_2015.pdf](http://idmalbania.org/wp-content/uploads/2016/02/Opinion-Poll_trust-in-government_2015.pdf)

<sup>9</sup> For details see URL: [http://exacta.bg/?page\\_id=42](http://exacta.bg/?page_id=42)

<sup>10</sup> For details see URL: [https://www.transparency.org/whatwedo/nisarticle/bulgaria\\_2011](https://www.transparency.org/whatwedo/nisarticle/bulgaria_2011)

<sup>11</sup> For details see URL: [https://www.transparency.org/whatwedo/publication/national\\_integrity\\_system\\_assessment\\_albania\\_2016](https://www.transparency.org/whatwedo/publication/national_integrity_system_assessment_albania_2016)

*Table 1. Transparency International Corruption Perception Index (by country)*

Country	Ranking (170 in total)	2015 Score (Out of 100)	2010 Score (Out of 100)	2005 Score (Out of 100)
Slovenia	35	60	64	61
Croatia	50	51	41	34
Romania	58	46	37	30
Montenegro	61	44	37	28
FYR Macedonia	66	42	41	27
Bulgaria	69	41	36	40
Serbia	71	40	35	28
Bosnia and Herzegovina	76	38	32	29
Albania	88	36	33	24
Kosovo	103	33	28	–

Source: Transparency International. Data from the Transparency International Corruption Perception Index 2015; 2010; 2005. For details see URL: <https://www.transparency.org/>

decision-making transparency are a cornerstone of the EU membership, corruption almost uniformly affects potential candidates, aspiring members and existing EU member states in the Balkans. Corruption and economic hardship are key reasons for the intensifying social discontent in the region. If demands of the regional population are not met, the civil unrest risks spinning out of control.

### Economic outlook

The economic performance among the Balkan states substantially differs from one state to another. To a considerable extent, it is determined by the standard of living countries started out with after the collapse of the Soviet Union.<sup>12</sup> Overall, the region is lagging behind its western and northern counterparts and has some of the poorest countries in Europe. The Economist Intelligence Unit forecasts that the economic performance gap between the poorer Balkans states and the better-off former communist economies in central Europe and the Baltics could further increase over the next five years.

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**One of the key ensuing weaknesses of the regional economic model is the staggering unemployment rates.**

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<sup>12</sup> Why Are the Western Balkans Lagging Behind? // The Economist Intelligence Unit. March 24, 2015. URL: <http://country.eiu.com/article.aspx?articleid=1113009895&Country=Romania&topic=Economy&subtopic=Regional+developments&subsubtopic=Economic+growth>

In its 2015 report “The Western Balkans: 15 Years of Economic Transition”, the International Monetary Fund identifies the loss of reform momentum due to reform fatigue and resistance of vested interests as a key reason for the underperformance of Western Balkans.<sup>13</sup> Indeed, the political and business elites in the region employ minimal effort to transform the economy at a fear of losing grip of national resources. Political leaders also often lack a clear vision of what personal benefits could stem from a wider liberalisation. At the same time, economic transformation does not happen overnight and takes years of consistent effort. As the results of such work are not immediately evident to the electorate, politicians usually focus on policies that bring swift gains.

One of the key ensuing weaknesses of the regional economic model that IMF highlights is the staggering unemployment rates. In fact, with the exception of Bulgaria, Romania and Slovenia, the unemployment rates in the Balkan states all surpass 15 per cent. According to International Labour Organisation’s (ILO) statistics, 33 per cent of Kosovan active population do not participate in the labour force together with 30 per cent of youth not in employment, education or training.<sup>14</sup> More than a quarter of BiH’s population is unemployed with 85 per cent of these in long-term unemployment.

Another major concern is income inequality that is particularly stark in FYR Macedonia that has the highest GINI Coefficient in Europe.<sup>15</sup> The rapid growth in the early 2000s resulted in uneven benefits for the Balkan population.<sup>16</sup> In fact, in absolute term all income groups were better off, but the income share of the higher classes rose disproportionately in comparison with the income levels of the poorest strata. This puts additional obstacles to the economic transformation of the region due to social resistance as the growing inequalities are associated with the economic reforms.

In 2016 World Bank Group (WBG) Regular Economic Report on South East Europe has identified investment as a primary source of growth for Albania, Montenegro, and Serbia and a robust source for Kosovo and BiH. WBG also observed that Foreign Direct Investment (FDI) in manufacturing and construction was central to the improvement of Serbia’s economic situation.<sup>17</sup> This year, real GDP growth in Serbia has recovered to the pre-2008 crisis levels. In order to secure a favourable investment climate, countries in the Balkans need to attain macroeconomic and political stability. As a priority, red tape, corruption and cronyism need to be addressed.

<sup>13</sup> The Western Balkans: 15 Years of Economic Transition // IMF. March 2015. URL: <http://www.imf.org/external/pubs/ft/reo/2015/eur/eng/erei0315.htm>

<sup>14</sup> For details see country profile at URL: <http://www.ilo.org/>

<sup>15</sup> For details see URL: <https://data.worldbank.org/indicator/SI.POV.GINI>

<sup>16</sup> The Western Balkans: 15 Years of Economic Transition // IMF. March 2015. URL: <http://www.imf.org/external/pubs/ft/reo/2015/eur/eng/erei0315.htm>

<sup>17</sup> South East Europe Regular Economic Report No.10 Resilient Growth Amid Rising Risks // World Bank. 2016. URL: <http://pubdocs.worldbank.org/en/521981474898709744/SEE-RER-Report-Fall-2016.pdf>

*Table 2. Unemployment Rate in Balkan States*

Country	2015 Unemployment Rate (per cent)	Long-term Unemployment (per cent)	Share of Youth not in Employment, Education or Training (per cent)
Romania	7	44	18
Slovenia	9	52	10
Bulgaria	9	61	19
Croatia	16	63	18
Albania	17	66	47
Serbia	18	64	20
Montenegro	18	78	–
FYR Macedonia	26	82	25
Bosnia and Herzegovina	28	85	28
Kosovo	33	74	30

Source: International Labour Organization. For details see URL: <http://www.ilo.org/>

### Intra-regional tensions

The Balkan intra-regional geopolitical structure is highly unstable. Many of the modern states in the peninsula emerged from violent inter-ethnic conflicts, including the 1991–1995 Croatia War of Independence, 1992–1995 Bosnian War, and 1998–1999 Kosovo War. More recently, in 2001 Macedonia went through an armed conflict between the ethnic Albanian National Liberal Army and Macedonian Security forces that was brought to an end with an EU- and NATO-brokered Ohrid Agreement. The level of social antagonism is high and inter-ethnic tensions are a persistent threat to the regional stability.

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### **Complex inter-state relationship provide for an unpredictable geopolitical outlook in the Balkan peninsula.**

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The collapse of Yugoslavia has indeed left behind a number of enduring territorial disputes that endanger the stability of the region. The relationship between Belgrade and Pristina is still unsettled after Kosovo unilaterally proclaimed its independence in 2008. It has been recognised by the United States and most EU members, but by neither Serbia nor Russia. Kosovo's has yet to agree a definitive border with neighbouring Montenegro. Slovenia and Croatia are in a long-standing border dispute that remains unresolved despite comprehensive international arbitration efforts. The row is further reinforced by heated polemics, scandals and conspiracies.

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**Up until now, the Balkans remain the Europe's powder keg due to the heightened degree of political, economic and social instability.**

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Former Yugoslav assets are another major cause for quarrels that hinder political stability and progress in the region. More than 25 years after the dissolution of Yugoslavia, Slovenia and Serbia have met in October to agree on the split of Josip Broz Tito's vehicles, artwork and his villa in Bled, Slovenia.<sup>18</sup> Serbia is simultaneously embroiled in a dispute with Kosovo over the decision of the latter to privatise the Trepca mine, a major mining complex under government control and partly located on the Serbia's territory. Complex inter-state relationships provide for an unpredictable geopolitical outlook in the Balkan peninsula. The region remains haunted by its past. As in the early 20th century, the Balkans are the "powder keg of Europe", characterised by incessant political disputes as well as institutional, social and economic fragility.

### Balancing between the West and Russia

In addition to conflictual national and regional dynamics in the peninsula, strategic interests of the Euro-Atlantic bloc and Russia collide in the Balkans. For instance, closer economic integration into the EU trade system generally requires looser association with Russia. On the other hand, NATO's military agenda in the region is viewed by the Kremlin as targeted at weakening Russia's influence. With a lack of cooperation on any regional issues between the West and Russia, the engagement of the two in the Balkans has turned into a zero-sum game.

The EU is mired in numerous crises, including the UK 'Brexit' vote and the growth of Euroscepticism. However, polls recently conducted across Europe have demonstrated that the Balkan member states are strongly dedicated to a future within the EU. For instance, 77 per cent of Romanians claimed that they would vote 'remain' if an EU membership referendum was to be held any time soon.<sup>19</sup>

However, the support for the EU among candidate countries with strong ties to Russia is uneven. According to a poll conducted by IRI in 2015, only 49 per cent of Serbians would vote in favour of the EU membership in a referendum while 94 per cent of respondents agreed that Serbia's interests were best served by maintaining strong relationship with Russia.<sup>20</sup> On the other hand, the attitude towards the EU

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<sup>18</sup> Serbian, Slovenian PMs discuss cooperation, Yugoslav assets // b92. October 24, 2016. URL: [http://www.b92.net/eng/news/politics.php?yyyy=2016&mm=10&dd=24&nav\\_id=99487](http://www.b92.net/eng/news/politics.php?yyyy=2016&mm=10&dd=24&nav_id=99487)

<sup>19</sup> Romanians Hot on European Union, Poll // EUobserver. August 2016. URL: <https://euobserver.com/tickers/134613>

<sup>20</sup> IRI's Center for Insights Poll: Crises in Europe and EU Leave Serbs Turning toward Russia // IRI. December 21, 2015. URL: <http://www.iri.org/resource/iri%E2%80%99s-center-insights-poll-crises-europe-and-eu-leave-serbs-turning-toward-russia>

accession in neighbouring Montenegro is favourable with 74 per cent of the population supporting the EU membership.<sup>21</sup>

Russia accounts for a third of all FDI in Montenegro.<sup>22</sup> However, in line with the EU decision, Montenegro imposed sanctions against Russia in order to demonstrate that its policies conform with those of the European Council, as its leadership attempts to speed up the accession process. Conversely nonetheless, Podgorica hastened to assure Moscow that the move was motivated purely by economic considerations and was not an expression of “anti-Russian mood”.<sup>23</sup>

Amid Montenegro’s decision to extend the sanctions, Serbian President Tomislav Nikolic has recently affirmed that Belgrade would never impose sanctions on Russia in support of the EU decision.<sup>24</sup> Both cases suggest that to a different extent, but Moscow-aligned Balkan states would likely bring Russia into the equation when making EU-related decisions. Also, it is illustration that balancing between two powers is likely to persist as the Balkan countries are seeking to get “the best of both worlds”.

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**With a lack of cooperation on any regional issues between the West and Russia, the engagement of the two in the Balkans has turned into a zero-sum game.**

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In 2014, Jean-Claude Juncker, the current President of the European Commission, announced that the EU enlargement would be put firmly on hold for the next five years. Although the statement was primarily aimed at taming the Eurosceptic sentiments among political elites in member states, it sent a discouraging signal to the candidate states. The uncertainty of the European future for the candidate states could potentially push political elites in the Balkans towards the Kremlin, in search of more tangible political and economic trophies to bring home.

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<sup>21</sup> Latest Opinion Poll Findings on Montenegro’s EU Integration Process: Steady Support for Membership // European Union. EU Delegation to Montenegro. March 07, 2016. URL: <http://www.delme.ec.europa.eu/code/navigate.php?Id=3455>

<sup>22</sup> Rapoza K. Despite Montenegro’s ‘Westward Ho’, Russian Investment Unlikely To Dissipate // Forbes. November 30, 2015. URL: <https://www.forbes.com/sites/kenrapoza/2015/11/30/despite-montenegros-westward-ho-russian-investment-unlikely-to-dissipate/#3223d8325f7c>

<sup>23</sup> Montenegro supports Russia sanctions in order to hasten EU accession // RT. May 22, 2014. URL: <https://www.rt.com/news/160776-montenegro-eu-sanctions-russia/>

<sup>24</sup> Serbia Will Never Impose Sanctions against Russia – President // Russia Beyond the Headlines. October 25, 2016. URL: [https://www.rbth.com/news/2016/10/25/serbia-will-never-impose-sanctions-against-russia-president\\_642091](https://www.rbth.com/news/2016/10/25/serbia-will-never-impose-sanctions-against-russia-president_642091)

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Up until now, the Balkans remain the Europe's powder keg due to the heightened degree of political, economic and social instability. Additionally, various regional players take unsophisticated attempts to balance between the West and Russia at a time where the relationship between the two powers are particularly strained. The region need to be closely watched to avoid an escalation of ethnic tensions and social unrest. Also, the EU and Russia need to leverage the common interest, such as the regional security, to find aspects for cooperation rather than confrontation in the Balkans.

# Twenty Five Years of Independent Belarus: Development Model, Risks and Opportunities

*Petr Petrovsky*

*Belarus deserves attention as an example of atypical development in Eastern Europe and the post-Soviet space. When most of the former Soviet states rejected integration and accepted political and economic liberalization according to western models, Belarus decided not to privatize state property. Instead, it opted for integration with Russia and place an emphasis on continuity in politics. So what is so special about Belarus?*

## Belarusian mentality or the phenomenon of Lukashenko?

Experts continue to discuss whether the Belarusian model of development is shaped by the personality of Alexander Lukashenko or if it has deeper psychological and historical roots.

The Belarusian national revival appeared in the second half of the 19th century during the 1863 Uprising, when the elites of the North-West Region were divided into supporters (regionalists) and opponents (western Russians).<sup>1</sup> The gradual integration of representatives of both camps, who came together because of their compassion for peasants, their language, culture and traditions, helped form the Belarusian national revival movement. This movement united people of different cultures and religions based on their desire to address issues such as social and national justice. This was supposed to happen as part of the construction of a socialist economy, the free cultural development of the Belarusian people, and the granting of a broad autonomy to Belarus within the Russian Empire.<sup>2</sup> This style of the national movement was first formed by Belarusian populists and was then modernized by Bolsheviks.<sup>3</sup> It was leftist in its political leanings and brought together the values of a working-class democracy and republicanism. As a result of the juxtaposition of two conflicts (the Tsarist and Polish administrations – locals, and also nobles and capitalists – peasants), the events of the 1917 revolution and the seizure of power by the Bolsheviks created a precedent for the formation of the Belarusian nation on the basis of a single class.<sup>4</sup>

<sup>1</sup> Bulgakov V. The History of Belarusian Nationalism / Valer Bulgakov. Vilnius. P. 156, pp. 222–229.

<sup>2</sup> Lushchitskiy I. N. Essays on the History of Socio-Political and Philosophical Thought in Belarus in the Second Half of the XIX Century / Ivan Lushchitskiy. Minsk: Belarusian State University Press named after V. I. Lenin, 1958. P. 353.

<sup>3</sup> Marzaliuk I. A. Belarus: From an Ethnographic Society to a Nation. Sources and Genesis of the Belarusian National Identity / I. A. Marzaliuk // Statehood: the National Idea of Belarus. Moscow, Knizhny Mir, 2016. Pp. 46–48.

<sup>4</sup> Smith A. Nationalism in the XX Century / Anthony Smith, translation from English by S. Nagorny. Minsk: Belarusian Soros Foundation, 1995. P. 126.

Belarus received statehood in 1919 and was a founding member of the USSR in 1922. For a long time, the Belarusian people did not have a majority of their own within the administration. This can be explained by the class component of the nation-building project, as well as by the lack of secondary schools in that territory for 100 years. This process lasted for 20 years and gained momentum as a result of the Second World War, when the active participation of the Belarusian people enabled them to seize guerrilla positions, and then key republican positions, with relative speed.

After the war, a group of partisan fighters was formed in the Belorussian Soviet Socialist Republic that adopted certain wartime management methods. As a result of its autonomy from the centre behind the enemy lines, the guerrilla soldiers learned how to keep the Belorussian Soviet Socialist Republic from coordinating effectively with the centre and to successfully protect their interests. On the other hand, the glorification of the Second World War as a national liberation movement helped create the image of the heroic spirit of a Belarusian nation closely connected to the heroes of the Soviet people.<sup>5</sup> Unlike in Ukraine, the Belorussian elites were not formed according to a regional principle. The Communist Party Members of Western Belarus were integrated with the general republican elites during the Second World War. All of this created a holistic manageable mass with a clear hierarchy.

Influenced by industrialization, up to 25 per cent of the republic's industrial production was later concentrated in Minsk. This made it possible to form the Minsk Municipal Industrial Group in the capital, which became the heir to guerrillas in the early 1980s and which is characterized by special corporate ethics in management and technocracy.<sup>6</sup>

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**In 1990–1991, Belarus tried to avoid the crisis events in Moscow by creating a national currency and introducing the position of President.**

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This had a significant impact on the style of governance in the country, which remained unchanged even once Belarus became independent. While the Belorussian Soviet Socialist Republic did become sovereign and independent it was not because it needed to exit the USSR. In 1990–1991, sovereignty, the creation of a national currency, and the introduction of a president in the Belorussian Soviet Socialist Republic were considered steps to protect the republic against the crises taking place in Moscow.<sup>7</sup> The country's leadership was extremely conservative, influenced again by the governance of the guerrilla group in the Belorussian Soviet

<sup>5</sup> Urban M. *An Algebra of Soviet Power: Elite Circulation in the Belorussian Republic* / Michael Urban, translation from English by A. Kazakevich and T. Chulitskaya. Vilnius: EHU, 2010, pp. 28–29.

<sup>6</sup> *Ibid.*, p. 151.

<sup>7</sup> *The History of Belarusian Statehood at the End of the XVIII Century and into the XXI Century*. In 2 volumes / M. U. Smekhovich [et al]; editorial board: A. A. Kovalenia [et al]; National Academy of Sciences of Belarus, Institute of History. Minsk: Belarusian Science, 2012, pp. 446–450.

Socialist Republic whose power was later passed over to its successors.<sup>8</sup> For this reason, many experts characterize the election of President Alexander Lukashenko as “a conservative electoral revolution.”<sup>9</sup> It should be understood that the representatives of radical change and western-style development received just 23 per cent of the vote. Therefore, given the aforementioned objective factors, an alternative path of development for Belarusian society was shaped by cultural, administrative and historical preconditions. Alexander Lukashenko added a special, larger-than-life character to the process.

### Political Foundations

Western political and legal experts who rely on the theory of transit and liberal democracy characterize the Belarusian political system as “post-communist preventive authoritarianism.” This is not correct.<sup>10</sup> In fact, those that make such assessments claim that Alexander Lukashenko’s leadership “relies on widespread popular support.”<sup>11</sup> Based on this understanding, it would be logical to use a different method of evaluation, one that reflects the uniqueness of the Belarusian system.

We can say with some confidence that the model of governance in Belarus began to take shape before Lukashenko came to power. The issue of introducing the position of a president in the country was raised in 1990. According to the draft bill, the President of the Belorussian Soviet Socialist Republic was supposed to play the role of an emergency manager who could bring order to the country.<sup>12</sup> The role of the president as a sovereign entity making decisions in emergency situations has remained in effect.

The Belarusian model is based on the results of referendums held in 1995, 1996, and 2004. These referendums provided answers to fundamental questions about the supreme role of the President, state symbols, the death penalty and the private ownership of land. The outcome of the referendums combined continuity from the Soviet era with conservatism, republicanism, nationality and the foundations of a welfare state.

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**State symbols, two official languages, the establishment of the country’s Independence Day and the return of the death penalty are ideological symbols that represent continuation from the Soviet era.**

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<sup>8</sup> Yagodkin and Mashcherov: The Last Stalinist Officials // Interpreter Blog. March 11, 2015.

<sup>9</sup> Republic of Belarus as a Development Project. Round Table Meeting Materials // Belaruskaya Dumka. 2015. No. 9. URL: [http://beldumka.belta.by/isfiles/000167\\_224938.pdf](http://beldumka.belta.by/isfiles/000167_224938.pdf)

<sup>10</sup> Smith A. Nationalism in the XX Century / Anthony Smith, translation from English by S. Nagorny. Minsk: Belarusian Soros Foundation, 1995, pp. 37–42.

<sup>11</sup> Ibid, p. 11.

<sup>12</sup> The History of Belarusian Statehood in the End of the XVIII Century and into the XXI Century. In 2 volumes / M.U. Smekhovich [et al]; editorial board: A. A. Kovalenia [et al]; National Academy of Sciences of Belarus, Institute of History. Minsk: Belarusian Science, 2012, pp. 449–450.

The president's powers were strengthened further in both the new 1994 Constitution, and especially in the 1996 Constitution. Both society and the country's managing class had called for this to take place. This type of government is better known as a "state of governance," i.e. "a step determined exclusively by the state of affairs and taken in accordance with the specific situation at hand and for completely reasonable and practicable reasons purposes."<sup>13</sup> As a result of the constitutional reform, the position of President of the Republic of Belarus became a force uniting all the powers; a decision-making centre. In addition to carrying out the functions of executive power, the president could propose legislative initiatives, and, in certain cases, influence court proceedings. This allowed an anti-crisis management body to be set up rather quickly, and the functionality of governmental agencies and the national economy to be restored.

Ideological issues (state symbols, two official languages, the establishment of the country's Independence Day, and the return of the death penalty) strengthened the value and psychological continuity of Soviet Belarus and rejected liberal and national-democratic forces outside Belarusian society. The state set itself the goal of forming an ideology of the Republic of Belarus. In 2003, Alexander Lukashenko stated the fundamentals of the Belarusian state ideology in a programmatic article, in which outlined two main ideas: social justice and traditional values plus identity.<sup>14</sup> These concepts were the actual modernization of ideas of the 20th century Belarusian national revival movement. During this time the president also formed an ideological hierarchy to preserve and develop value benchmarks.

### Geopolitical choice

One of the issues addressed by the 1995 referendum was Belarus's geopolitical orientation. The people voted for a union with Russia on equal terms, and this was formalized between 1996–1999. The decisions made as a result of the 1995 referendum continue to define the country's foreign policy priorities today. Belarus is an active member of most integration associations in the post-Soviet space: the Union State of Russia and Belarus, the Eurasian Economic Union (EAEU), the Collective Security Treaty Organization (CSTO) and the Commonwealth of Independent States (CIS).

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**Despite the attempts of Minsk to hold a pragmatic dialogue, Western countries continue to put ideological items on the agenda.**

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<sup>13</sup> Shmitt C. *The State: Law and Politics* / Carl Shmitt; translated from German by O. V. Kildushov. Moscow: Territoria Budushchevo Publishing House, 2013, p. 225.

<sup>14</sup> On the State of Ideological Work and Steps to Improve It. Materials of the Permanent Seminar of Executives of the National Government Bodies / Academy of Public Administration under the aegis of the President of the Republic of Belarus, 2003, 192 p.

At the same time, relations with the West have developed in the opposite direction. As a consequence of the 1996 referendum, Belarus was deprived of its status as a specially invited state in the Council of Europe. In 1998, the European Union imposed sanctions against Belarus, which are still in place to this day. In 2004, the United States adopted the Belarus Democracy Act and imposed sanctions as well.<sup>15</sup> Despite the attempts of Minsk to hold a pragmatic dialogue on economic, commercial and humanitarian cooperation, Western countries continue to keep ideological issues and values on the agenda with respect to Belarus.

For this reason, the Government of the Republic of Belarus has been restoring and developing economic and political relations with developing countries since the 1990s. In 1998, Belarus became a member of the Non-Aligned Movement demonstrating the country's desire to follow its own course on the European continent.

### Welfare State

The welfare state has a special role of importance in the Belorussian development model. One of the central elements of the welfare state is to ensure that the basic needs of the people are met through a mechanism including state regulation and the social responsibility of economic entities. The fundamental principle in this system is the strategic decision of the 1996 referendum concerning state ownership of land and mineral resources. Furthermore, the policy of preserving the priority of the state ownership of strategic enterprises and the rejection of total privatization is a key principle of the modern Belorussian welfare system. The state directs its economic development according to the principle of multi-structuralism and the interaction between different forms of ownership.

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#### **The role and importance of the welfare has a special place in the Belarusian development model.**

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Agricultural reform takes place in accordance with the principle that states that large economic entities are not to be liquidated (dismantlement of collective farms into units), but rather reformatted and expanded into agricultural holdings with a full production cycle. The objective is not just profitability, but also the organization of sustainable rural development. For this reason, a network of agricultural towns has been in development since 2005: self-sufficient economic complexes ensuring employment, working capacity and renewability of the social and labour resources of a given village.<sup>16</sup>

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<sup>15</sup> Bush Signs “Belarus Democracy Act”... Is it High Time the “United States Democracy Act” Was Introduced? // Center Asia. October 23, 2004. URL: <http://www.centrasia.ru/newsA.php?st=1098413700>

<sup>16</sup> The History of Belarusian Statehood in the End of the XVIII Century and into the XXI Century. In 2 volumes / M.U. Smekhovich [et al]; editorial board: A. A. Kovalenia [et al]; National Academy of Sciences of Belarus, Institute of History. Minsk: Belarusian Science, 2012, pp. 490.

## Transformation challenges

However, the lack of Belarus's own resources, primarily in the energy sector, leads to a deficit of available assets to modernize enterprises and support social balance during crises. Against the backdrop of the Ukrainian crisis and the deepening conflict between Russia and the West, Belarus incurs many costs as well. Incomplete modernization projects lead to declining labour productivity and the need to borrow funds from abroad. However, the crises experienced by the country's closest allies force the government to turn primarily to China and the European Union for help. The latter consistently links economic issues with values and the political agenda forcing Belarus to make concessions due to its lack of resources.

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### **Belarus also incurs costs due to the confrontation between Russia and the West.**

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Certain transformations have taken place in the social structure of Belorussian society since the country gained independence. The share of the private sector has risen significantly and accounts for 35.9 per cent of the economy at present, which is average for Western European countries.<sup>17</sup> The private sector cannot interact well with the state according to the centralized vertical scheme and needs an alternative informal and networking style of relations. Due to political and value-related concessions to the European Union, Belarus risks losing ideological and political control over this rather active segment. Some non-profit organizations, acting as counterparts to the collective West, combine methods of ideological and political theories developed over 70 years with part of the private sector. The outdated ideological vertical structure that has learned to work with the public sector cannot compete with this new system. Given the trends toward falling living standards and poor basic economic indicators, all of this carries the risk of completely reformatting society.

At the same time, there is a problem with transferring the basic values of the Belarusian model to younger generations. The old ideological vertical system, is not popular with the youth. Its obsolete methods are ineffective given the network of pro-western non-profit organizations. For this reason, the research carried out in 2015 by the Eurasian Monitor Agency demonstrated a generational gap in Belarusian society in regard to the country's geopolitical orientation. While 62–67 per cent of those aged 35 and older support Eurasian integration, only 48 per cent of people aged 18 to 35 do.<sup>18</sup> This points to the political and socio-economic instability of the country.

<sup>17</sup> Lazutkin A., Petrovsky P., Rebeda S., Sutyryn V. 2016 Belarusian Elections: Political Rubicon // Eurasia.Expert. 2016. URL: <http://eurasia.expert/upload/Belorysskie-vybory-2016.pdf>

<sup>18</sup> EDB Integration Barometer // Eurasian Development Bank Centre for Integration Studies. 2015. URL: [www.eurasiamonitor.org/rus/files/269/file/EDB\\_Centre\\_Report\\_33\\_Analytical\\_Summary\\_RUS.pdf](http://www.eurasiamonitor.org/rus/files/269/file/EDB_Centre_Report_33_Analytical_Summary_RUS.pdf)

- Petr Petrovsky

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**The main values of the Belarusian model are unpopular with the younger generation.**

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Aware of these risks, the Government of the Republic of Belarus tries to use the potential of the Eurasian Economic Union and the Union State for modernization and the resumption of economic growth. For this reason, Eurasian integration is considered from a tactical standpoint to be a form of technological breakthrough by creating economic integration chains and general technological projects, as well as the final creation of the common market for products. Therefore, Belarus is one of the countries that supports the forced development of the Eurasian Economic Union without splitting the procedure into phases until 2025.

## Post-Soviet Georgia: From Turbulence to Stability and Predictability

Sergei Markedonov,  
Alexander Skakov

*Georgia has a reputation for being the most pro-western country in the South Caucasus and Russia's most problematic partner. In the 25 years since it gained independence, Georgia has lived through ethno-political conflicts and civil war, been at the centre of confrontation between Russia and the United States and tried to build a pragmatic foreign policy. Georgia has travelled a bumpy road as a new independent state and has come up against a multitude of political challenges, and the country's future depends on how it responds to them.*

With the onset of the conflict in Ukraine, Georgia lost its informal status as the biggest troublemaker in the post-Soviet space. The former leader of the South Caucasus republic Mikheil Saakashvili, who is now active in Ukrainian politics, is a reminder of these bygone times.<sup>1</sup> Georgia only becomes a problem on those rare occasions when official Tbilisi announces new plans to expand its integration ties with NATO and the European Union, or when Georgian and Russian politicians make statements about the continued normalization of bilateral relations.<sup>2</sup> Nevertheless, the foreign and domestic processes taking place in and around Georgia continue to be of great interest.

After 25 years of independence, Georgia is a country with a turbulent past that is full of losses, an uncertain and unpredictably changeable present and an unclear but far from hopeless future.

Today's Georgia can hardly be considered a "failed" state, although there are few successes to talk about. Over the course of 25 years, it has travelled a long path from national romanticism and illusions about leaving the USSR, which were seen as the foundations for stability and prosperity, to pragmatic politics. Much has been done during this time to build democratic institutions. And the priorities identified by the Georgian political class (whether by the party in power or the opposition) – "restoring territorial integrity" by reclaiming Abkhazia and South Ossetia, and NATO and EU membership – are difficult, if not impossible, to achieve in practice.<sup>3</sup>

<sup>1</sup> Saakashvili Announces Intention to Return to Georgia // RIA Novosti. November 2, 2016. URL: <https://ria.ru/world/20161001/1478306916.html>

<sup>2</sup> Putin Promises to Abolish Visas for Georgian Citizens and Patch things up with Tbilisi // RIA Novosti. December 17, 2015. URL: <https://ria.ru/politics/20151217/1343864545.html>. NATO's Noble Partner 2016 Exercises Destabilize the Caucasus // RIA Novosti. May 16, 2016. URL: <https://ria.ru/analytics/20160513/1432578636.html>

<sup>3</sup> Bakhturidze Z. Georgia's Foreign Policy: Key Milestones and Partners. St. Petersburg: Aurora, 2016.

- Sergei Markedonov, Alexander Skakov

At the same time, Tbilisi sees the achievement of its foreign policy goals not in a confrontation with Russia, hoping that it will be weakened as a result of its standoff with the West. Today, the Georgian leadership is guided by a model of pragmatic and realistic relations with Russia, which is not easy given the role of the 2008 Russo-Georgian War,<sup>4</sup> which resulted in the recognition of the independence of Abkhazia and South Ossetia and the deployment of Russian armed forces and border guards in these republics.<sup>5</sup>

### Territorial integrity: the domestic and foreign political dimension

It would be no exaggeration to say that the history of post-Soviet Georgia has been dominated by the ethno-political conflicts in South Ossetia and Abkhazia. These events combine the problems of nation- and state-building, the formation of Georgia's identity and the foreign political aspirations of Tbilisi.<sup>6</sup>

The issue of Abkhazia and South Ossetia did not appear during the process of the disintegration of the union state. Their roots run much deeper, and in the process of self-determination and gaining independence, Georgian politicians had to engage in a dialogue with representatives of the two autonomous republics on the rules and conditions of living together in a single state. But the government took the Soviet Union's demarcation as the basis for territorial unity, without taking into account the fact that such unity had previously been guaranteed by the power that the entire country possessed.<sup>7</sup> The Georgian national project simply did not have the same resources.<sup>8</sup>

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### Until 2008, Russia's position on Abkhazia and South Ossetia did not overtly favour either of the republics.

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At the same time, the Georgian leadership did not view the Abkhazian and South Ossetian elites as independent partners or opponents, but rather as “puppets of Moscow.”<sup>9</sup> As a result, the conflicts with Abkhazia and South Ossetia were seen as a showdown with Russia, or, alternatively, as attempts to agree on the fates of the

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<sup>4</sup> Zurab Abashidze: “We Are Ready to Resolve More Serious Issues” // *Caucasian Echo*. October 19, 2016. URL: <http://www.ekhokavkaza.com/a/28063636.html>

<sup>5</sup> Since 2009, the Russian 4th and 7th military bases have been stationed in South Ossetia and Abkhazia, respectively. *Russian Military Bases Abroad* // *RIA Novosti*. March 26, 2014. URL: <https://ria.ru/spravka/20140326/1001038148.html>

<sup>6</sup> Markedonov S. *De Facto Entities in the Post-Soviet Space: Twenty Years of State-Building*. Yerevan. Caucasus Institute, 2012.

<sup>7</sup> *Georgia. Problems and Prospects of Development* / Ed. by E. M. Kozhokina. Moscow: Russian Institute for Strategic Studies (RISS), 2002. Vol. 1–2.

<sup>8</sup> *The Georgia–Abkhazia Conflict: 1917–1992* / Compiled by K. I. Kazanin. Moscow: Evropa, 2007.

<sup>9</sup> Antonenko O. *Uncertainty: Russia and the Conflict over Abkhazia / Statehood and Security: Georgia after the Rose Revolution* / Coppieters and Legvold R. (eds). Cambridge, MA, 2005, pp. 208–217.

former autonomous republics with the Kremlin without taking their own interests into account. Meanwhile, Moscow's position on these issues between 1991 and 2008 fluctuated and did not overtly favour either Abkhazia or South Ossetia.<sup>10</sup>

Russia recognized the independence of Abkhazia and South Ossetia on August 26, 2008.<sup>11</sup> However, Tbilisi had effectively lost the republics earlier than this. As the American researchers Lincoln Mitchell and Alexander Cooley rightly point out, “post-Soviet Georgia has never really exercised actual local control over Abkhazia, except for a few months in the early 1990s. Thus, while Georgia may see itself as the rightful ruler of Abkhazia, the view in Sukhumi has always been quite different.”<sup>12</sup> And we can add here that a few months after the collapse of the USSR, discussions were held on the ways and possibilities of effecting a “peaceful divorce” between Abkhazia and Georgia.<sup>13</sup> According to British expert Thomas de Waal, “Abkhazia has travelled much further away from Georgia and there is far less recent memory of co-existence. The Abkhaz and the Armenians and Russians of Abkhazia are much closer to the North Caucasus. Abkhazia has functioning institutions, including a parliament, independent newspapers and a lively political culture.”<sup>14</sup>

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### **The events of 2008 led to the formation of a tough political course with regard to Russia and the strategic choice in favour of NATO and the European Union.**

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As a result, a kind of national trauma has formed in Georgia – a generally held belief that the Georgian state project will remain unfinished until it has returned the

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<sup>10</sup> With the outbreak of the anti-separatist campaign in December 1994 (unofficially; officially from 1996), Moscow and Tbilisi effectively initiated a sanctions regime against Abkhazia. Their actions were made legal by the decision of the Council of the CIS Heads of State “On measures to resolve the conflict in Abkhazia, Georgia” adopted on January 19, 1996. In 1997, Minister of Foreign Affairs of the Russian Federation Yevgeny Primakov proposed the formulation “common state” for the purposes of the negotiations between Tbilisi and Sukhumi and tried to convince the Abkhazian side to adopt the proposal. However, the attempts of the Georgian leadership to unilaterally, and without taking Russia's interests into account, change the status quo and “unfreeze the conflict” (by destabilizing the Gali District) forced a shift in the Russian diplomacy. By 1999–2000, Moscow had softened the sanctions against Abkhazia significantly (although the sanctions were not fully repealed until March 2008). For more detail, see: Lakoba S. Z. *De-Facto Abkhazia or De Jure Georgia? On Russia's Abkhazian Policy in the Post-Soviet Period, 1991–2001* // Sapporo: Slavic Research Center. Hokkaido University, 2001.

<sup>11</sup> Nicaragua, Venezuela and Nauru also recognized the independence of the two former Georgian autonomous republics.

<sup>12</sup> Cooley A., Mitchell L. *Engagement without Recognition: A New Strategy toward Abkhazia and Eurasia's Unrecognized States* // *The Washington Quarterly*. 2010. October issue, p. 61

<sup>13</sup> Nodia G. *Conflict in Abkhazia: National Projects and Political Obligations* // *Georgia and Abkhazia. The Path towards Reconciliation*. Moscow, 1998, p. 30.

<sup>14</sup> The Andorran model for the Caucasus: Thomas de Waal // *Caucasus Times*. September 14, 2010. URL: <http://caucasustimes.com/en/the-andorran-model-for-the-caucasus-thomas-de-waal/>

two autonomous republics to its control.<sup>15</sup> One of the most significant internal political and social consequences of losing Abkhazia and South Ossetia has been the emergence of refugees in the country.<sup>16</sup> This has led to the formation of a tough political course with regard to Russia (reaching its zenith during the leadership of the Third President of Georgia Mikheil Saakashvili in 2004–2013) and the strategic choice in favour of NATO and the European Union.<sup>17</sup> The West came to be regarded as a counterweight to Russian influence and a guarantee that territorial integrity would be restored.

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### **Integration with the West only pushed Abkhazia and South Ossetia to develop even closer ties with Moscow.**

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However, the events of 2008 (and the following years) demonstrated that there is a limit to how much the United States and the European Union can be relied upon. With the exception of the EU Association Agreement, Georgia has received nothing in the way of full NATO membership, or even MAP (Membership Action Plan) status, nor have its citizens been granted a visa-free travel regime to visit European countries.<sup>18</sup> And Georgia's integration with the West did not have the desired effect of bringing Abkhazia and South Ossetia closer into its orbit. On the contrary, it pushed the elites in these countries to seek out closer cooperation with

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<sup>15</sup> Shnirelman V. A. *Memory War. Myths, Identity and Politics in the South Caucasus*. Moscow: Akademkniga, 2003.

<sup>16</sup> Around 265,000 people in Georgia (6 per cent of the population) have been granted the status of internally displaced persons and receive the appropriate state benefits. For more detail, see: Tukhashvili M. *Refugees and Internally Displaced Persons in Georgia*. Tbilisi: Consortium for Applied Research on International Migration, 2015, pp. 2–3.

<sup>17</sup> In April 2000, President Eduard Shevardnadze announced that his country would be “knocking fiercely on NATO’s door” by 2005. In April 2002, the United States and Georgia signed the Georgia Train and Equip Program (GTEP) to train 2000 Georgian Special Forces operatives // *Global Security*. November 15, 2012. URL: <http://www.globalsecurity.org/military/ops/gtep.htm>. In 2006, the Georgian parliament voted unanimously in favour of NATO integration. In February 2008, Mikheil Saakashvili sent a letter to NATO secretary Jaap de Hoop Scheffer expressing a readiness to start implementing the NATO Membership Action Plan (MAP) (Lyashuk Y. A. *The NATO Bucharest Summit and the Transformation of the Alliance // Journal of International Law and International Relations*. 2008, No. 2. URL: <http://www.evolutio.info/content/view/1404/232/>). On November 14, 2014, 2006, Saakashvili announced that he considered the issue of Georgia’s accession to the European Union a “matter of time.” He later put a deadline of 2009, but then proceeded to shift this deadline on several occasions (Saakashvili, Mikheil // *Caucasian Knot*. November 10, 2016. URL: <http://www.kavkaz-uzel.eu/articles/49305/>).

<sup>18</sup> There is no Consensus in NATO on Granting Georgia a MAP // *Civil Georgia*. April 11, 2014. URL: <http://www.civil.ge/rus/article.php?id=25858>. Kirsanova, T. *Let us In, Europe! Why the EU Has Postponed the Issue of Visa Liberalization Once Again // Lenta.ru*. October 18, 2016. URL: [https://lenta.ru/articles/2016/10/18/evropa\\_visy/](https://lenta.ru/articles/2016/10/18/evropa_visy/)

Moscow.<sup>19</sup> The only thing that could help Georgia in its plan to “gather up land” is a total collapse of Russia in the Greater Caucasus region, including the northern part that belongs to Russia. But this is possible only in theory. But there are nuances here as well. Gathering lands is not the same thing as successfully integrating and effectively governing regions. What is more, Georgia is currently facing a far greater challenge than that posed by Abkhazia and South Ossetia, namely, the Islamist threat, which it will not be able to take on without effective cooperation with Russia.<sup>20</sup>

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**The first steps towards mending relations with Moscow were made in 2012 after the government realized that its pro-Western course had not proved as beneficial as it had hoped.**

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It would seem that the realization that the pro-Western course of Georgian foreign policy had not proved as beneficial as had been hoped was the catalyst for the normalization of relations between Moscow and Tbilisi that began in autumn 2012. Since then, Russia and Georgia have been able to implement measures to counteract the negative trends that had appeared earlier. The more obvious results of this first stage of this normalization have been markedly less confrontational rhetoric, an end to the practice of Georgian officials using Russia as an instrument for getting people involved or interested in political processes in the country, and Tbilisi’s refusal to support nationalist movements in the North Caucasus. Russia has reopened its market for Georgian products (alcohol, mineral water and citrus fruits). In addition, a direct dialogue has been established between representatives of Russia and Georgia (Special Representative of the Government of Georgia for Russian Issues Zurab Abashidze and State Secretary and Deputy Minister of Foreign Affairs of the Russian Federation Grigory Karasin) that does not touch upon the issues relating to Abkhazia and South Ossetia.

Nevertheless, the process has not crossed the “red lines,” which we define as the territorial integrity of Georgia, the status of the two former autonomous Georgian republics and Georgia’s interaction with the European Union and NATO.<sup>21</sup>

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<sup>19</sup> Parliamentary elections were held in South Ossetia at almost the exact same time that Georgia signed the EU Association Agreement that resulted in the United Ossetia winning 43.19 per cent of all votes and an absolute majority in parliament (20 of the 34 available seats). For more detail, see: Bibilov, Anatoly // *Caucasian Knot*. June 24, 2014. URL: <http://www.kavkaz-uzel.eu/articles/192391/>

<sup>20</sup> Apkhaidze, Shota. *The Rise of Political Islam in Georgia: Main Facts and Trends (I)* // *Nauchnoye obshchestvo kavkazovedov*. February 5, 2015. URL: <http://www.kavkazoved.info/news/2015/02/05/aktivizaciya-politicheskogo-islama-v-gruzii-osnovnye-fakty-i-tendencii-i.html>. Lomsadze, G. *Georgia’s ISIS Problem: How to Stop Would-Be Jihadists?* // *Eurasianet*. November 30, 2016. URL: <http://www.eurasianet.org/node/72966>. Rayhan D. *Jihadist Shadow Hangs over Georgia’s Pankisi Gorge* // *BBC News*. April 21, 2016. URL: <http://www.bbc.com/news/world-europe-36035312>.

<sup>21</sup> Cit. ex.: *Concept of the Foreign Policy of the Russian Federation* (February 12, 2013) // *Garant.ru*. February 20, 2013. URL: <http://www.garant.ru/products/ipo/prime/doc/70218094/#ixzz2vYOKymKL>

## In search of legitimacy

Another equally important problem for post-Soviet Georgia has been overcoming the lack of legitimacy of supreme power. It took until 2013 for presidential power to be handed over by peaceful means and on a legal basis for the first time. The First legitimately elected President of Georgia Zviad Gamsakhurdia was forcibly overthrown in January 1992 by a so-called “Military Council”.

This led to a civil war in Western Georgia that lasted until the autumn of 1993.<sup>22</sup> The Second President of Georgia, Eduard Shevardnadze, was never voted out of power either. Shevardnadze’s legitimacy was placed in doubt from the very first day of his presidency, and he was forced to resign following mass protests in the aftermath of the November 2003 presidential elections, the results of which were widely considered to have been fixed. The events came to be known as the Rose Revolution.<sup>23</sup> While Mikheil Saakashvili was elected into office by an overwhelming majority for his first term in office (2004–2008), his repeat victory in the January 2008 elections was put down by his opponents to the abuse of administrative resources and electoral fraud.<sup>24</sup> Practically his entire second term in office was accompanied by mass protests questioning the legitimacy of the president (and accusing him of authoritarianism and losing the war in 2008).<sup>25</sup>

Despite all this, Georgia approached its 25th anniversary as an independent state with a stable political system that allowed peaceful and constitutional parliamentary elections to be held in 2012 and 2016, as well as a successful presidential campaign in 2013.

Clearly, the amendments to the Constitution initiated in October 2010 by former President Mikheil Saakashvili with his own political goals in mind played a positive role. In accordance with these amendments, Georgia took a serious step towards becoming a parliamentary republic, limiting the powers of the president and extending those of parliament and the government.<sup>26</sup> Although we should note that the country had already started to move away somewhat from the norms of a classical presidential republic with the constitutional reforms implemented in February 2004.<sup>27</sup>

<sup>22</sup> Jones S. *Georgia: A Political History since Independence*. London, England: I.B. Tauris. 2012.

<sup>23</sup> For more details see: Jones, S. *The Rose Revolution: A Revolution without Revolutionaries?* // *Cambridge Review of International Affairs*. Vol. 19, No. 1, March 2006. In a July 2012 interview, Shevardnadze apologized to the people of Georgia and asked for forgiveness for handing power over to Saakashvili without offering any kind of resistance (Shevardnadze apologizes for Saakashvili // *Utro.ru*. July 2, 2012. URL: <https://utro.ru/articles/2012/07/02/1056540.shtml>).

<sup>24</sup> Saakashvili, Mikheil // *Caucasian Knot*. November 10, 2016. URL: <http://www.kavkaz-uzel.eu/articles/49305/>

<sup>25</sup> *Confrontation between Saakashvili and the Opposition* // *Gazeta.ru*. URL: <https://www.gazeta.ru/news/seealso/1136277.shtml>

<sup>26</sup> *New Georgian Constitution Enters into Force before End of 2013* // *Sputnik*. May 15, 2015. URL: <http://sputnik-georgia.ru/spravka/20101015/213546628.html>

<sup>27</sup> Andreeva, Galina. *2004 Georgian Constitutional Reform* // *Caucasian Knot*. May 6, 2004. URL: <http://www.kavkaz-uzel.eu/articles/56759/>

As a result of these constitutional reforms, the authoritarian tendencies that existed in Georgia and most other post-Soviet countries have been largely curtailed.

### Party building: made in Georgia

Despite the existence of various political parties and blocs within Georgia, the absence of a true multi-party system in the country stood in the way of its democratic future. The Union of Citizens of Georgia party formed by Eduard Shevardnadze in 1993 was the dominant political force in the country for ten years. The overthrow of the Second President of Georgia and the removal of Aslan Abashidze from power in the Autonomous Republic of Adjara led to the complete breakdown of the political system that had existed up until that point.

The role of leading party then went to the National Movement (which would become the United National Movement) supported by Saakashvili. The party emerged victorious from the 2004 and 2008 elections before losing out in 2012 to the Georgian Dream led by billionaire Bidzina Ivanishvili.

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**Despite the existence of various political parties and blocs within Georgia, the absence of a true multi-party system in the country stood in the way of its democratic development.**

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And the system that had been established collapsed once again. Given that the United National Movement's founder and unofficial leader Mikheil Saakashvili was still president, a kind of dual-power situation arose, with an unstable parity of the two forces that High Representative of the European Union for Foreign Affairs and Security Policy Catherine Ashton called "cohabitation".<sup>28</sup> The West insisted on the coexistence of parliament and a president propped up by a parliamentary minority. A two-party system may very well have emerged as a result, but this was not the case.

Much to the disappointment of the West, this "cohabitation" proved to be both unstable and short-lived, with the constant, albeit not catastrophic, "desertion" of members of parliament from the former ruling party. The victory of the Georgian Dream candidate in the presidential elections on October 27, 2013, was a huge blow for the United National Movement: the little-known Giorgi Margvelashvili won 62.11 per cent of the votes, versus the United National Movement's Davit Bakradze, who won just 21.73 per cent of the votes.<sup>29</sup> The arrests of a number of

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<sup>28</sup> Gongladze S. The Cohabitation Phenomenon in Georgian Politics // Georgia Monitor. February 5, 2013. URL: <http://www.georgiamonitor.org/news/254/1224/>

<sup>29</sup> Georgia Elects Oligarch PM Bidzina Ivanishvili's Candidate as President // The Guardian. October 28, 2013. URL: <https://www.theguardian.com/world/2013/oct/28/georgia-elects-ivanishvili-margvelashvili-saakashvili>

high-ranking United National Movement officials, as well as the forced “emigration” of Mikheil Saakashvili, did not help the party’s influence or ratings.<sup>30</sup>

However, the Georgian Dream coalition, which was created with the specific goal of removing Saakashvili from power, has not survived in its original form. In November 2014, the Free Democrats, led by Irakli Alasania, left the coalition. They were followed on March 31, 2016, by the Republican Party of Georgia, which had decided to go it alone in the parliamentary elections; the National Forum on April 4 and Industry Will Save Georgia in May. Despite all this, the Georgian Dream managed to pull off a decisive victory in the 2016 parliamentary elections, earning a constitutional majority. Parliament also welcomed a number of newcomers, namely the United National Movement and the Alliance of Patriots of Georgia, playing on the fears of the voters with regard to the Islamist threat and the growing influence of Turkey.<sup>31</sup>

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### **Until the elections in 2020, Georgia can expect to see a period in which the ruling party does not have any kind of counterbalance.**

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With election results like these and the Georgian Dream’s constitutional majority in parliament, there is no point talking about a dual- or multi-party system in Georgia. The country has returned once again to the dominance of a single political party – a party that has a largely incomprehensible ideology and programme. The main advantage of the Georgian Dream is its pragmatism and realism. The losing parties have found themselves in deep and almost hopeless crisis. As such, Georgia will for the foreseeable future, until at least the 2020 elections, go through yet another period in which the ruling party does not have any kind of counterbalance. This will allow it to pursue its chosen policies on a wide range of issues.

### **Will we see a “change of landmarks” in Georgia?**

During the 2016 election campaign, some Georgian politicians were faced with the question: Is a victory for the Georgian Dream party in the interests of the West given its “political, financial and other investments” into Georgia and its interests in the region? And is a new Euromaidan on the cards?<sup>32</sup> In turn, hopes started to

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<sup>30</sup> Georgy Dvali. Former Prime Minister Isolates Georgia. Vano Merabishvili Arrest Complicated Integration with EU and NATO // Memorial. July 18, 2013. URL: <http://www.memo.ru/d/171614.html>

<sup>31</sup> A Breakthrough is needed in Relations with Russia: The Alliance of Patriots of Georgia // EurAsia Daily. October 7, 2016. URL: <https://eadaily.com/ru/news/2016/10/07/v-otnosheniyah-s-rossiye-nuzhen-proryv-alyans-patriotov-gruzii>. Unanyants, V. Personal Patriots of the Georgian Dream? // Caucasian Echo. October 12, 2016. URL: <http://www.ekhokavkaza.com/a/28049389.html>

<sup>32</sup> Anjaparidze Z. Russia’s “Soft Power” in the Run-Up to the Parliamentary Elections // Georgia Monitor. April 3, 2016. URL: <http://www.georgiamonitor.org/news/254/1473/>

appear in the Russian media that pro-Russian or pro-Georgian forces would, if not win the elections in Georgia, but at least earn seats in parliament. Realizing that it would simply be impossible for a real and influential pro-Russian voice to appear in Georgia given the current circumstances, the assumption was that nationally oriented pro-Georgian forces would become a more convenient and predictable partner for a full-fledged dialogue, a dialogue free from the influence of foreign puppet masters.<sup>33</sup>

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**Georgia will remain a pro-Western country for the foreseeable future, albeit to a pragmatic and realistic degree.**

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To be sure, external players would have used all available resources to try to prevent the victory of political forces that are not oriented towards the West. The only reason that Brussels and Washington did not kick up a fuss following the departure of Irakli Alasania's Free Democrats and the Republican Party of Georgia was because they were confident that the course of the Giorgi Kvirikashvili–Bidzina Ivanishvili government would not change. As leading Republican Party member Levan Berdzenishvili noted rather candidly shortly after the elections, “anyone inside the country or abroad who seriously hopes that Georgia, full of American and European money, will suddenly turn to Russia is not only deeply mistaken – they are so deluded it is ridiculous.” He therefore doubts “very much that the Georgian ‘Dreamers’ will dare veer from the country’s western course.”<sup>34</sup>

In the near future, then, Russia will have to deal with an already familiar Georgia – a pro-Western country that is dependent on Washington and Brussels, albeit to a pragmatic and realistic degree. The foreign political situation and the socioeconomic processes taking place in the country will determine the configuration of the domestic political field in Georgia, the new political forces that might emerge, and the long-standing players that will be able to reinvent themselves and survive their failed 2016 election campaigns. Russia–Georgia relations have been normalized as much as they possibly can be at the current stage. Just how they might develop moving forward, however, is not entirely clear.

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<sup>33</sup> Anjaparidze Z. What Can Russia Expect from the Georgian Elections? The Political Forces Planning a “Surprise” in the Form of a New Maidan – and Such Forces Exist – Will Involuntarily be Helping Moscow // Memorial. September 2, 2016. URL: <http://www.memo.ru/d/276655.html>

<sup>34</sup> Georgia Will Not Sit Idly by While Oligarch Bidzina Ivanishvili Usurps Power // NRegion. October 21, 2016. URL: [http://www.nregion.com/news.php?i=55234#.WA96Gvv\\_qM8](http://www.nregion.com/news.php?i=55234#.WA96Gvv_qM8)

# Kazakhstan 2016: a Dynamic Society Facing the Challenges of the Modern World

Artem Dankov

*Kazakhstan is a great example of a country that has successfully dealt with the challenges of the post-Soviet period. After the fall of the Soviet Union, experts predicted disintegration, decay, interethnic conflict and economic collapse. The resources that Kazakhstan had at its disposal were woefully insufficient to deal with the challenges to the country's development. Today, however, several indicators (population, GDP per capita, the number of people living in cities, etc.) suggest that the situation in Kazakhstan is better than it was during Soviet times. That being said, what psychological and emotional baggage continues to weigh the Republic of Kazakhstan down after 25 years of independence?*

*If we were to describe modern Kazakhstan in one word, it would probably be "dynamic." The dynamics of development in Kazakhstan can be divided into three main groups: migration, economic growth and the quality of human capital.*

## Migration

Various groups of people have flowed into Kazakhstan since the country gained independence. According to experts, internal and external migration processes have affected around 9.5 million people, or around 58 per cent of the population living in the republic as of the beginning of 1991 following the collapse of the Soviet Union.<sup>1</sup> More than 3 million "Europeans" – mostly Slavs, Germans and Jews – have left Kazakhstan in that time. They have been replaced by around 960,000 *Oralman* Kazakhs (from 1991 to the beginning of 2016).<sup>2</sup> This has led to a radical shift in the ethnic balance in the country. In 1989, Slavs, Germans and Jews made up 51 per cent of the population in the Kazakh Soviet Socialist Republic and were the most populous peoples in eight of the country's regions and Almaty. From 1989 to 2016, the number of ethnic Kazakhs living in the country increased from 40 per cent to 66 per cent, and they are now the most populous ethnic group in 12 of the country's 14 regions. The once predominantly "European" country has transformed into a state where ethnic Kazakhs dominate.

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**Major migration processes have altered the ethnic balance in cities and villages in Kazakhstan considerably.**

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<sup>1</sup> Urbanization in Central Asia: Challenges, Problems and Prospects. Analytical Paper. Tashkent: Center for Economic Research, 2013, p. 21.

<sup>2</sup> Almost One Million Oralman Kazakhs Have Arrived in Kazakhstan in the Last 25 Years // Kapital Business Information Portal. URL: <https://kapital.kz/gosudarstvo/47713/pochti-million-oralmanov-pribylo-v-kazahstan-za-25-let.html>.

External migration has been complemented by powerful flows of people within the country itself. The counter-urbanization that could be witnessed during the first years of independence gave way to the rapid growth of cities in the 2000s. The population of 11 of the 14 regional capitals increased in the period 1989–2016. The largest city in the country (Almaty) experienced a population increase of 70 per cent during this period. Kazakhstan is the only country in the former Soviet Union that has been able to successfully implement a major urbanization project, namely, the creation of the new capital of Astana. Astana's population has increased more than threefold since 1989. Urban migration has mostly affected ethnic Kazakhs, who currently make up 60 per cent of the country's urban population and are the main ethnic group in 10 of the 14 regional capitals, including Astana and Almaty. In just over 25 years, the Kazakh population has urbanized at a rapid pace. The descendants of ancient nomads have become city dwellers.

### Economic growth

Rich natural resources, foreign investment and the favourable situation of the global markets have allowed Kazakhstan to overcome the effects of the economic crisis of the 1990s and achieve great success over the past 15 years. According to World Bank statistics, Kazakhstan's GDP per capita by purchasing power parity in 2015 (\$25,877) was comparable Poland's (\$26,135) and higher than that of several EU countries, including Hungary (\$25,582), Latvia (\$24,286), Croatia (\$21,880), Romania (\$21,043) and Bulgaria (\$17,512).<sup>3</sup> On average, Kazakhstan's GDP has grown 5.8 per cent annually since 2005, which is significantly higher than in certain BRICS countries, for example Russia (2.8 per cent), Brazil (2.8 per cent) and South Africa (2.9 per cent).<sup>4</sup> However, GDP growth is unstable and depends directly on global mineral prices. Kazakhstan has gone through two economic crises over the past ten years – one in 2007–2008 and another in 2014–2015. With the economy suffering from growing prices, reduced levels of construction, industrial production and foreign trade, these downturns resulted in the devaluation of the Kazakhstani tenge by threefold. The country's numerous social problems further exacerbated the difficulties.

### Human capital

During the turbulent years following independence, Kazakhstan was able to not only maintain social and political stability, but also to pay sufficient attention to the development of human capital.<sup>5</sup> According to the United Nations, Kazakhstan

<sup>3</sup> List of Countries by GDP Per Capita (PPP) // World Bank Database. URL: <http://databank.worldbank.org/data/reports.aspx?source=2&series=NY.GDP.PCAP.PP.CD>

<sup>4</sup> Calculated using World Bank data // World Bank Database. URL: <http://databank.worldbank.org/data/reports.aspx?source=2&series=NY.GDP.PCAP.PP.CD#>

<sup>5</sup> Lisovolik Y. The Experience of Kazakhstan in Improving Human Capital // Russian International Affairs Council. URL: [http://russiancouncil.ru/inner/?id\\_4=7701#top-content](http://russiancouncil.ru/inner/?id_4=7701#top-content)

is among the countries that rank highly on the Human Development Index (HDI); its HDI has risen from 0.690 in 1990 to 0.788 in 2014, which is good enough for 56th position in the list, comparable to Russia (50th) and well ahead of Ukraine (81st), as well as to the countries in the Southern Caucasus and its neighbours in Central Asia.<sup>6</sup>

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**Despite the serious social and economic problems faced by Kazakhstan after the collapse of the USSR, the country has achieved significant success in several areas.**

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This is not to say, however, that Kazakhstan does not face problems today. There are three primary challenges currently facing Kazakhstan, and the future of the republic will depend on how these challenges are met.

**Challenge 1. A crisis of the economic model based on expanding the export of mineral resources and developing the consumer sector inside the country.** Like many post-Soviet states (Russia, Azerbaijan and Turkmenistan) with mineral reserves, Kazakhstan built an extremely successful resource-based economy in the 2000s against the backdrop of rapidly growing global prices for hydrocarbons. However, when the commodities boom came to an end, the Russian economy fell into a recession and the Chinese and EU economies experienced a serious slowdown, thus putting an end to the development of this model. The main tasks for the country today are to develop non-resource exports, create niches for the country in markets where it already has a presence and to break into new markets. The main obstacle to accomplishing these goals is the limited size of the domestic market. Kazakhstan has a population of just 17 million people and it is not likely to grow significantly in the coming years. All of these factors force Kazakhstan to be an open country, to become actively involved in Eurasian integration and to try to find a new place for itself in the global economy.

**Challenge 2. The transition to a post-Soviet society.** Demographic changes (emigration and an increasing birth rate in recent years) have led to more than half of the population in Kazakhstan being under the age of 30.<sup>7</sup> These citizens grew up and were educated in an independent Kazakhstan. For them, many of the ideological models, methods and practices of Soviet times have absolutely no practical value in today's world. People who are younger than 30 simply do not understand what the Soviet Union was; they grew up at a time when new identities, ideologies and social practices were being formed. How will these people react to the burgeoning public and political system? How will they assess the priorities of

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<sup>6</sup> According to Human Development Report 2015 data, pp. 212–213. URL: [http://hdr.undp.org/sites/default/files/2015\\_human\\_development\\_report\\_1.pdf](http://hdr.undp.org/sites/default/files/2015_human_development_report_1.pdf).

<sup>7</sup> The Military Balance 2014. Chapter Five: Russia and Eurasia, p. 176.

foreign and domestic policies? What demands will they have of the state in a time of transitioning power? What can they give to the economy? These are all questions that need to be addressed.

**Challenge 3. The new geopolitical and geo-economic reality.** Even now, we can see signs that the leading global players will turn their attention away from Central Asia. After the withdrawal of troops from Afghanistan, the United States and its European allies will increasingly refocus on their own domestic problems and resolving the situation in the Middle East. The economic crisis in Russia has significantly reduced the possibility of carrying out an active policy in the region. Central Asia is becoming fragmented due to the influence of economic, political, social and demographic factors. It is against this background that China is increasing its economic influence, gradually becoming a major trade partner and investor in the region. The role of Kazakhstan will grow in the context of the fragmentation of Central Asia and the development of multi-level integration processes in the former Soviet countries. It is of great importance to find a balance between the old and the new centres of power in the region.

Kazakhstan has gone through some trying ordeals in the 25 years since the collapse of the Soviet Union. However, the country has reacted to ordeals at times in a seemingly miraculous manner and demonstrated an amazing ability to recover from setbacks. For example, the country faced a massive outflow of people in the 1990s and yet it managed to attract hundreds of thousands of new people to live and work there in the 2000s, including immigrants, expats and labour migrants. In 2015, a country that was in the midst of a severe economic crisis 20 years previously boasted the best GDP among all CIS states, and the third best GDP of all the former Soviet countries, even overtaking Russia.

Today, Kazakhstan is a country that is undergoing rapid urbanization. It has a dynamic, albeit it unstable economy that is comparable in terms of development to that of many Eastern European countries. It is a country that continues to build its own national identity and is searching for a place on the global stage. Russia can learn a lot from the experience of Kazakhstan. The two nations have far more in common than is generally believed.

# Kyrgyzstan Twenty Five Years after the Collapse of the USSR: “Democracy Island” Facing the Challenges of Effective Governance

*Grigory Lukyanov*

“Democracy Island” is a phrase that has taken deep root in the vocabulary of post-Soviet politicians, political experts, and analysts when attempting to describe the development of Kyrgyzstan in its totality since it gained independence in 1991.<sup>1</sup> At the same time, the meaning of the expression has changed and been re-evaluated repeatedly over the last 25 years. Even in this current decade, the process of shaping Kyrgyz statehood and the Kyrgyz nation as a whole is far from complete.<sup>2</sup> As these processes continue, they come up against a large number of endogenous and exogenous obstacles, which are accompanied by multiple conflicts and splits with far-reaching consequences that directly affect all spheres of public relations and the country’s image in the eyes of the rest of the world. The events of 2005 and 2010, which have gone down in the modern political history of Central Asia and the post-Soviet space as the March (or Tulip) and April revolutions respectively, were just the tip of the iceberg and they signified the peak of the crisis in Kyrgyz democracy.<sup>3</sup> More precisely, they signified the crisis of a political regime that was described as democratic. It was the crisis of a political system based on elections in a complex and fragmented (or at the very least, poly-ethnic and multid denominational) society born out of an artificial design process that took place as part of the Soviet policy of national demarcation in Central Asia in the 1920s.

## Institutional foundations of a democratic political regime and the key trends in political development

It should not come as a surprise that Kyrgyzstan is considered to have come closer than any other country in post-Soviet Central Asia to the ideal of western democracy. This conclusion is primarily the result of reasoning based on a contraposition, that is, on contrasting Kyrgyzstan with the other states in the region. In this respect, Kyrgyzstan remains an example of the weakness of authoritarian power (both in its personal and institutional aspects). The country still possesses a relatively high level of political self-organization of the population

<sup>1</sup> Knyazev A. A. Directions and Paradigms of Kyrgyz Independence (Sketches in Post-Soviet History). Bishkek, 2012, pp. 8–14.

<sup>2</sup> Omarov N. M. The Kyrgyz Republic: Starting Conditions for Transformation // Political Process in Central Asia: Results, Problems, Prospects / I. Zvyagelskaya, ed. Moscow: Institute for Oriental Studies, Russian Academy of Sciences, Center for Social and Political History, 2011. P. 204–234.

<sup>3</sup> The Kyrgyz Coup d’État. March–April 2005: Collected Articles / G. O. Pavlovsky, ed. Moscow: Evropa, 2005, pp. 5–7.

and development of civil society institutions. Given the turbulent regional development, socioeconomic and political stability have become the principal values for the political regimes of Kazakhstan,<sup>4</sup> Tajikistan,<sup>5</sup> Turkmenistan,<sup>6</sup> and Uzbekistan. Kyrgyzstan lacks such stability. However, even though it remains an important component of the population’s social expectations and needs, this lack of stability ultimately did not prompt Kyrgyzstan to install a strong authoritarian power and establish a comprehensive state.

By the early 2010s, one of Kyrgyzstan’s principal developmental achievements was the development of an institutionalized and pluralized political space outside of state control. This phenomenon included a) developing the necessary legal framework that would set down the legal foundations for the establishment and the efficient functioning of public organizations, and b) the establishment of legitimate and viable institutions of representation. At that time, no other country in the region had created more favourable conditions for the functioning of political parties and their participation in the political process. In 2010–2016, the triumph of party representation in Kyrgyzstan peaked when the simplified procedure allowed the Ministry of Justice to register over 200 parties, the majority of which remain viable and play an active role in Kyrgyzstan’s political life to this day. Furthermore, they are active at district and municipal level, the regional level, and even at the national level.<sup>7</sup> Establishing ethnic and denomination-based parties was prohibited under the state’s legislation, which led to a certain normalization of inter-communal relations and the emergence of new institutional opportunities for political dialogue. Nevertheless, the abundance and variety of political unions in and of itself oversaturated the political space and proved excessive, ultimately becoming a major hurdle for building an effective system of governance.

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**Despite the lack of socio-political and economic stability, Kyrgyzstan society does not promote the restoration of an authoritarian regime. Moreover, after the collapse of the USSR, the country saw the establishment of a great number of political parties, and the processes of power institutionalization were also successful.**

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<sup>4</sup> Lukyanov G.V. Political System in Contemporary Kazakhstan: Principal Actors and Factors of Stability // Systemic Monitoring of the Global and Regional Risks. Central Asia: New Challenges / L.V. Isaev, A.R. Shishkina, A.V. Korotaev, eds. Moscow: Lenand, 2013. Chapter V, pp. 243–281.

<sup>5</sup> Lukyanov G.V. Political System Destabilization Threats in Contemporary Tajikistan // Systemic Monitoring of the Global and Regional Risks. Central Asia: New Challenges / L.V. Isaev, A.R. Shishkina, A.V. Korotaev, eds. Moscow: Lenand, 2013. Chapter VII, pp. 306–325.

<sup>6</sup> Lukyanov G.V. The Political System of Contemporary Turkmenistan: Transitioning from an Authoritarian and Totalitarian Regime to an Authoritarian Regime // Systemic Monitoring of the Global and Regional Risks. Central Asia: New Challenges / L.V. Isaev, A.R. Shishkina, A.V. Korotaev, eds. Moscow: Lenand, 2013. Chapter VIII, pp. 326–353.

<sup>7</sup> For details see the web-site of the Ministry of Justice. URL: [http://minjust.gov.kg/?page\\_id=6551](http://minjust.gov.kg/?page_id=6551)

After Kyrgyzstan's second President Kurmanbek Bakiyev was ousted in 2010, more large-scale constitutional reforms were implemented in the country. They were not the first and would also not be last in the history of the Kyrgyz constitutional. At the time, these reforms were supported by the country's principal political powers.<sup>8</sup> The main result of the reforms was the adoption of a new constitution, which initiated the transition of the government from a presidential to a parliamentary republic. The reforms introduced under the leadership of the interim President Roza Otunbayeva (2010–2011), were initially supported by her elected successor Almazbek Atambayev (2011–2017). Their aim was to increase the social responsibility of state institutions, primarily of the executive branch, and to create a true system of checks and balances in order to prevent the concentration and misuse of power for personal gain by a single person. In this regard, the unprecedented “criminalization” of the government sector of the economy that took place during Bakiyev’s “inter-revolution” presidency and his family’s rule served both as a potent “vaccination” against any authoritarian leanings in the society, as well as an impetus for radically changing the form of governance and the foundations of the political system.<sup>9</sup> Parliament was supposed to, and in essence did, become a new centre of political decision-making with the opportunity to balance the disproportionately empowered office of the president. Parliament also became a full-fledged representational platform open to all political forces.

### Institutional crisis and authoritarianism as the price of effective governance

Nevertheless, as we have already mentioned, the excessive number of political parties (the main participants in the competitive race for parliamentary seats in the 2010 and 2015 elections) led to the political space being consistently stripped of ideology. Ideology has entirely ceased to be the defining feature of any party. It is no longer the principal tool for mobilizing voters nor is it a way to generate a given party’s real politics. This is particularly noticeable if you compare the situation with the logic of the political process in previous years, especially during Askar Akayev’s presidency (in the 1990s and the first half of the 2000s).<sup>10</sup> The triumph of populism and the homogenization of ideological diversity had only served to solidify the parochial, clan-like nature of the existing political parties built primarily on informal ties and with the sole purpose of protecting narrow vested interests to the detriment of the “common cause.” This led to objective difficulties in ensuring that the political process, with seemingly ideal (from the point of view of design and structure) formally democratic political institutions, had any real participants. In

<sup>8</sup> For details see URL: <http://politcom.ru/10045.html>

<sup>9</sup> Knyazev A.A. *Op. cit.*, pp. 251–276.

<sup>10</sup> Borisov N.A. *Between Modernity and Tradition. Political Alternatives in Today’s Central Asia.* Moscow: Russian State University for the Humanities, 2010, pp. 186–280.

2010, MPs were elected to the Supreme Council of the fifth convocation by party lists; five parties made it into parliament: the idealistic democratic Ata-Zhurt party (28 seats); the Social Democratic Party of Kyrgyzstan (26); Ar-Namys (25); Respublika Party of Kyrgyzstan (23); and Ata-Meken Socialist Party (18).<sup>11</sup> The subsequent reality of Kyrgyzstan’s parliamentary life showed that these political parties were unable to overcome their internal discord. All attempts to construct inter-party coalitions were proved unproductive and their results turned out to be short-lived.

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**Despite active political modernization, the economy has not developed in the same way. Consequently, certain political successes have not had a significantly impact on the life of the Kyrgyzstan’s people.**

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Under the new constitution, the effectiveness of the political system was directly dependent on the president’s capability to establish working relations with parliament or, more precisely, with the coalition of parties in parliament that had the number of votes required to adopt legitimate decisions. The difficulties and conflicts arising from this situation led to changes in the electoral legislation that had been introduced by the time the 2015 parliamentary elections came around. In that election, it was the independent candidates who contested for nearly half of the all the parliamentary seats, and the influence of political parties in parliament had visibly decreased due to their unsuccessful attempts to cooperate in the previous convocation.<sup>12</sup>

The adoption (in 2010) and implementation (in 2010–2016) of fundamental changes allowed Kyrgyzstan’s experience of political modernization to be considered a breakthrough. But this view did not last long. The most suitable model for making comparisons is that of Kazakhstan.<sup>13</sup> The reason being that, of all of Kyrgyzstan’s neighbours, Kazakhstan has progressed the farthest along the route of modernizing its political institutions. However, before transforming the country’s political foundations, politicians in Kazakhstan were sure to create certain socioeconomic conditions and the requisite economic grounds for such transformations to take place. Kazakhstan introduced pluralization and diversification to its institutions of power – not quite as quickly as Kyrgyzstan, but no less consistently. The country also had at their disposal tested mechanisms for resolving the problems with the state’s economic sustainability and for fulfilling the state’s social obligations to the

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<sup>11</sup> For details see URL: <http://www.ca-portal.ru/article:22141>

<sup>12</sup> For details see URL: [http://russiancouncil.ru/inner/?id\\_4=6758#top-content](http://russiancouncil.ru/inner/?id_4=6758#top-content)

<sup>13</sup> Syroezhkin K.L. Specifics of State-Building in Central Asian Countries (Kazakhstan and Kyrgyzstan) // Transformations and Conflicts in Central Asia and the Caucasus / A. Alikberov, I. Zvyagelskaya, eds. Moscow: Institute for Oriental Studies of the Russian Academy of Sciences, Center for Social and Political History, 2013, pp. 140–167.

people. This was of particular relevance given the global and regional financial crisis caused by falling global energy prices and the direct negative impact that it had on the region's leading countries (Russia, Kazakhstan, Turkmenistan and Uzbekistan). Kyrgyzstan did things differently. Their large-scale and fundamental political modernization in 2010–2016 was not accompanied with an equally swift and radical transformation of the economy and the institutions and mechanisms of economic management, nor by positive changes in the quality of life for the people of Kyrgyzstan. We believe that the lack of a direct and proportionate correlation between the development of political transformations and changes in the quality of life significantly weakened the general population's support for the continued policy of democratizing the political system as set out in 2010.

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**Despite certain successes in terms of modernizing the political system, many observers still believe that Kyrgyzstan could become a failed state.**

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At the same time, we should note that the reverse trend can be observed. This can be seen primarily through the restoration of the rights and powers of the executive branch, particularly those of the President and the Prime Minister, to the detriment of the legislative and judicial branches. These changes were enshrined in the amendments to the Constitution adopted in summer 2016.<sup>14</sup> In the run-up to the 2017 presidential elections, the possibility of re-electing Almazbek Atambayev (which is not permitted under current legislation) has been hotly debated on several occasions both in parliament and by society.<sup>15</sup> To some extent, this question can be interpreted in two ways: 1) as a way to stabilize the unbalanced system; and 2) as a rollback to authoritarianism. This is why the President's executive office and the Social Democratic Party that he leads are cultivating the image of the President as an experienced and effective manager working under difficult conditions, with imperfect institutions and constant conflicts between the country's principal political forces.

**The need for effective governance  
in the face of the current challenges  
facing Kyrgyzstan and the unresolved contradictions**

Despite Kyrgyzstan's apparent progress in constructing relevant democratic institutions in 2010–2016, looking back, one cannot but notice that this progress failed to become a cure-all against all the problems and challenges the country faced during its history as a sovereign state. This applies primarily to those problems

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<sup>14</sup> For details see URL: [http://www.venice.coe.int/webforms/documents/?pdf=CDL-PI\(2016\)009-rus](http://www.venice.coe.int/webforms/documents/?pdf=CDL-PI(2016)009-rus)

<sup>15</sup> For details see URL: [http://russiancouncil.ru/inner/?id\\_4=8378#top-content](http://russiancouncil.ru/inner/?id_4=8378#top-content)

and challenges that put a question mark over Kyrgyzstan’s very statehood and cleared the way for it to transform into a failed state.<sup>16</sup>

Nature has historically divided Kyrgyzstan into the plains in the South and the mountains in the North. The country is still fragmented regionally and territorially, and this fragmentation preserves the conflicts and internal discord within Kyrgyz society. In addition to the overall polarization of the population along the North–South lines, the rich traditional culture of the villages and the clan-like political culture produced therein nourish the territorial demarcation of the regions populated primarily by the Kyrgyz people. This tradition still dominates both the socio-political sphere and the system of informal norms and rules of public behaviour at the state level. And this tradition in and of itself presents an insurmountable obstacle for the further integration of ethnic minorities into the political system. A special place among these minorities is held by the Uzbek community,<sup>17</sup> which numbers over 800,000 people, or about 14 per cent of the population.<sup>18</sup> At the same time, due to geographical, environmental and economic difficulties, Kyrgyzstan still faces a split along the “urban–village” lines. This split is reflected in different electoral preferences and behavioural models evidenced during revolutionary crises.

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### **Unresolved economic and social problems create favourable conditions for the spread of radicalism.**

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The current instability and transient nature of the Kyrgyz economy help define the major role that “black market” elements and the shadow economy play therein.<sup>19</sup> Such activities include illegal domestic and cross-border trade and smuggling. The high organizational costs (including corruption-related payments within the regulated economy) essentially force the population to turn to “shadow” money as a way to service their basic needs and ensure survival.<sup>20</sup> The vicious circle of crises in Kyrgyzstan’s economy, many of which cannot be resolved without the active and responsible participation of the state, makes it hard to normalize

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<sup>16</sup> Kyrgyzstan beyond “Democracy Island” and “Failing State”: Social and Political Changes in a Post-Soviet Society / Ed. by M. Laruelle, J. Engvall. Lexington Books, 2015, pp. 5–8.

<sup>17</sup> Haug V. Demographic Trends, the Shaping of Nations and Inter-Ethnic Relations in Kyrgyzstan // Kyrgyzstan’s Population / Z. Kudabaev, M. Giio [Guillot], M. Denisenko, eds. Bishkek, 2004, pp. 109–157.

<sup>18</sup> Khoperskaya L.I. Kyrgyzstan’s Second National Census // Census Ethnologic Monitoring / V.V. Stepanov, ed. Moscow, Institute of Ethnology and Anthropology of the Russian Academy of Sciences, 2011, pp. 416–423.

<sup>19</sup> For details see URL: [http://journals.manas.edu.kg/reforma/oldarchives/2003-2-18/22\\_842-3019-1-PB.pdf](http://journals.manas.edu.kg/reforma/oldarchives/2003-2-18/22_842-3019-1-PB.pdf)

<sup>20</sup> For details see URL: <http://www.avekon.org/papers/405.pdf>

economic relations. Without such normalization it is impossible to ensure the country's full-fledged integration into the single economic space of the Eurasian Economic Union.<sup>21</sup>

Consequently, the current public, political and economic situations in Kyrgyzstan remain conducive to the spread of radicalism and the activities of organized Islamist movements among the Muslim youth. The events and processes taking place in Tajikistan and Afghanistan, as well as the "ISIS factor," could have an effect. The existence of objective conditions and internal foundations for the genesis of an organized and growing Islamist movement in Kyrgyzstan should be noted.<sup>22</sup> At the same time, regarding Kyrgyzstan, we cannot limit the discussion of the problem of religious fundamentalism to the Muslim community alone. Even though Muslims are the religious majority in Kyrgyzstan, the Muslim community does not dominate this relatively strongly secularized society.

The long-term statehood of Kyrgyzstan is directly threatened by the aforementioned unresolved problems. This makes the situation in the country far from stable and it also spotlights the problems of effective democratic governance within Kyrgyzstan. What stood out about the situation between 2010 and 2016 was the fact that a new stage in the formation of political institutions was being shaped under the conditions of real competition between branches of power and among a broad range of political parties and unions in the political arena. At the time, this political process was mostly focused on establishing the institutional foundation for bringing the country out of its state of political uncertainty and instability generated by its lack of experience in transferring presidential powers democratically and not by way of revolutionary actions. At the same time, the 2017 presidential campaign became the key test for transforming the system. On the eve of the campaign, the country once again faced a choice of opposing elements: democracy versus authoritarianism, parliamentary republicanism versus presidential republicanism, and the interchangeability of power versus effective governance.

<sup>21</sup> See, for instance: *Kyrgyzstan Joining the Customs Union and Single Economic Space: Consequences for the Country's Labor Market and the Human Capital*. St. Petersburg, 2013, 122 p.

<sup>22</sup> Polyakov K.I. *Islamic Extremism in Central Asia* / V.V. Naumkin, R.Y. Emmanuilov, eds. Moscow: Institute for Oriental Studies of the Russian Academy of Sciences, 2014, pp. 28–44.

## Quo Vadis, Moldova?

*A non-celebratory look at 25 years of independence*

*Sergei Lavrenov*

*In August 2016, Moldova celebrated 25 years of independence. The country is characterized by an inherent contradiction in its domestic and foreign policy: while the political elites are on the whole oriented towards the West, economic imperatives force it to maintain ties with the East. What prompted the fiasco that resulted from the failed attempt of the pro-European ruling coalition to force the “dream of European integration” onto the Moldovan population?*

On August 27, 2016, the Republic of Moldova celebrated 25 years of independence. Six days after the failure of the “comical” State Committee on the State of Emergency putsch in Moscow, the Moldovan political elite (formed within the governing establishment of the party and the dissident leaders) decided that the time had come to start a new page in the country’s history and use this rare opportunity to play the role of the “founding fathers” of a republic. Not only would this remain in the memories of generations to come (memory is a somewhat unreliable thing), but it would also result in the chance for these founding fathers to have their hands on the levers of the distribution of state property, something much more significant and tangible in all respects.

### The Soviet past

Before Moldova became part of the Soviet Union in 1940, industrial production in the country was mostly made up of small-scale commercial manufacturing operations that were barely able to meet the needs of the meagre domestic market (this does not apply to Transnistria, which had become part of the USSR in 1924 as an autonomous region of the Ukrainian Soviet Socialist Republic). But things improved for the country during Soviet rule. Moldova occupied a privileged place in the five-year plans (the idea was to turn the country into a kind of “showcase” of Soviet socialism), which contributed to the accelerated development of the county’s industrial base (machine building, chemical manufacturing, oil and gas production, light industry, food manufacturing, etc.). Economists estimate that industrial production in Soviet Moldova grew an astronomical 67 times from 1940 to 1990.<sup>1</sup> Dramatic changes also took place in agriculture, where a powerful processing complex was created, including winemaking, cannery, flour-grinding, cereal, baking, tobacco, perfume and cosmetics production facilities.

<sup>1</sup> Anuarul statistic al Republicii Moldova 2007 // Biroul național de statistică al Republicii Moldova.

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**In 1991, Moldova was classified as an established industrial and agrarian republic, but it was heavily reliant on imported raw materials.**

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Before it proclaimed independence in 1991, more than 550 industrial enterprises were operational in Moldova. These included enterprises working in the defence industry. In other words, many of the companies were involved in innovative production.<sup>2</sup> Nevertheless, the most important branch of the industrial sector was the food industry, which accounted for over 33 per cent of the country's total industrial production.<sup>3</sup> A high level of development was achieved in the wine industry (third place among all USSR republics by volume), among others.<sup>4</sup> At the same time, the cost of producing sugar and sugar beet was the lowest in all the sugar-producing republics.<sup>5</sup> Light industry made up around the same amount of industrial production (about 33 per cent).<sup>6</sup> According to the majority of international statistics indicators, Moldova was classified as an industrial agrarian republic. At the same time, the reliance on imported raw materials (natural gas, coal, petrochemicals, etc.) continued to be the Achilles heel of the Moldovan economy. However, this was not a headache for Chisinau during Soviet times, when the national economy developed on the basis of inter-republic cooperation; Moldova would import raw materials and, in return, export around 90 per cent of its own production to the other republics in the Soviet Union.<sup>7</sup>

### The painful years of independence

The situation changed dramatically when Moldova gained independence. The country's industrial potential started to disappear before our very eyes. The economic situation was exacerbated by the 1992 armed conflict in Transnistria, which at the time led to an actual cessation of relations between the industrially developed Left Bank of the Dniester and the rest of Moldova. The spontaneous transition to market relations in 1995 led to industrial production falling to just 31 per cent of GDP (as opposed to 60 per cent in 1990). Collapsing industrial production contributed to the large-scale privatization of state property that began in 1995, which resulted in the flagships of the Moldovan economy fragmenting into

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<sup>2</sup> Buletin statistic. Ianuarie-iunie 2007 // Biroul național de statistică al Republicii Moldova.

<sup>3</sup> Industrial Production Indexes // Interstate Statistical Committee of the Commonwealth of Independent States, 2006. URL: <http://www.cisstat.com/rus>

<sup>4</sup> Kalak D. Industrial Park // Chisinau, Economic Review. December 28, 2007. No. 48.

<sup>5</sup> Moiseev S. A Single Lot for Greek Investors // Chisinau, Economic Review. February 25, 2005. No. 7.

<sup>6</sup> Poysik M. Industry: Drop Rate // Chisinau, Economic Review. September 1997. No. 33.

<sup>7</sup> Buletin statistic. Ianuarie-septembrie 2007 // Biroul național de statistică al Republicii Moldova.

several small enterprises that been restructured to satisfy their immediate market needs (“sell what people are still buying”). As a result, the economic crisis in the country became both systemic and chronic in nature. Chaotic privatization was at the heart of this, as were the disruption of the traditional production and agricultural ties with the former Soviet republics, the outflow of highly skilled workers, legislation that was full of loopholes (“wherever you turned, that’s where it went”), the high cost of loan instruments, etc. These “growing pains” of the transitional period were to a greater or lesser extent typical of the entire post-Soviet space, but they manifested themselves particularly vividly as a result of the ambiguity and inherently dichotomous nature of the country’s foreign policy.

“If you turn right, you will lose your horse. If you turn left...”

The Moldovan political elite has placed its “spiritual” and “financial” stock in the West; however, in order to keep the country afloat, and therefore hold onto power, economic relations need to be maintained with Russia and other CIS countries. In 1994, the CIS countries adopted a decision in principle to the creation of a free-trade area (FTA). The corresponding agreement was only signed in October 2011, including by Moldova, following several years of difficult negotiations and it envisioned the gradual reduction of export and import duties to the minimum level possible on the majority of commodity groups. This was a great relief for Moldova, as it allowed the country to establish positive trade relations in the post-Soviet space. In addition to its participation in the CIS, Moldova has also been granted observer status in the Eurasian Economic Community (EAEC).<sup>8</sup>

### Questionable participation in the CIS

Moldova’s interaction with the former Soviet republics was limited to economic cooperation. From the beginning, Chisinau proceeded from the assumption that the CIS has a future as an economic alliance only, and nothing more.<sup>9</sup> At the same time, Moldova demonstrated a dissatisfaction with the activities of the CIS, counting on more significant economic dividends, particularly with regard to substantial discounts on Russian gas and other forms of raw hydrocarbons. Chisinau became one of the main supporters of the so-called “levelling off” concept, which involves the redistribution of resources to the benefit of economically weak countries in order to “... ensure a guaranteed increase in the competitiveness of all CIS members on the global stage, while strengthening their motivation to pursue deeper ties within the organization itself.”<sup>10</sup>

<sup>8</sup> Moldova Granted Observer Status in the Eurasian Economic // Press Obozrenie. May 14, 2002. URL: <http://press.try.md/item.php?id=15749>

<sup>9</sup> Rassokhin. Evolution of the Republic of Moldova’s Foreign Policy: From the CIS to GUAM // Proceedings of Voronezh State University. History. Political Science. Sociology. 2014. No. 3. P. 106.

<sup>10</sup> Lupu M. Moldova and the CIS: Development Prospects // Svobodnaya Mysl. 2010. No. 10 (1617). P. 16.

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**After gaining independence, the country's industrial potential started to disappear before our very eyes.**

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The Moldovan leadership was also unhappy with the presence of an operational group of Russian soldiers (and the peacekeeping mission itself) in Transnistria on the grounds that in this case the “neutrality” proclaimed by the republic “... is reduced to mere words in the Constitution of the Republic of Moldova in conditions of territorial disintegration and the presence of foreign troops in the country's territory.”<sup>11</sup> Chisinau was satisfied with any “indistinct” peacekeeping format (an international contingent of peacekeeping troops,<sup>12</sup> an international peace guard civil mission,<sup>13</sup> etc.). At the same time, the unfortunate experience of the four-sided Russia–Ukraine–Moldova–Romania separation committee, which had met in Bender, Moldova from April to June 1992 and failed to prevent the bloody conflict on the Dniester River, was ignored.<sup>14</sup>

While lobbying its economic interests on various CIS forums, Chisinau was actively moving in the opposite direction, towards the Euro-Atlantic. After joining the WTO in 2001, Moldova took advantage of the opportunities offered by the Partnership and Cooperation Agreement to become the first CIS country to open consultations with the European Union on the creation of a Free-Trade Area. In 2005, the Parliament of the Republic of Moldova adopted a declaration making accession to the European Union a strategic goal of the country's foreign policy.<sup>15</sup> That same year, the European Union and Moldova signed a three-year plan of action under the European Neighbourhood Policy (ENP) that envisioned the gradual harmonization of Moldovan legislation with that of the European Union, the implementation of the relevant structural and institutional reforms, and the development of cooperation between Chisinau and international financial institutions.<sup>16</sup> Impressed with this commitment, the European Union introduced autonomous trade preferences as an incentive measure for Moldova, that is, the

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<sup>11</sup> Ibid, p. 15.

<sup>12</sup> Russian Peacekeeping Troops May Soon Leave Transnistria to Make Way for International Contingent // NewsRu.com. June 15, 2007. URL: <http://www.newsru.com/world/15jun2007/pridnestr.html>

<sup>13</sup> Russia's MFA: Present Peacekeeping Mission Mandate Far From Exhausted // Novosti Pridnestrovyia. October 16, 2016. URL: <http://novostipmr.com/ru/news/14-10-16/mid-rf-mandat-nyneshney-mirotvorcheskoy-missii-v-pridnestrove>

<sup>14</sup> Koretsky A. Mission Irreplaceable // News Front. February 10, 2016. URL: <http://news-front.info/2016/02/10/missiya-nezamenima-aleksandr-koreckij/>

<sup>15</sup> European Integration // Republic of Moldova. Official Page. February 2, 2011. URL: <http://www.moldova.md/ru/europa/>

<sup>16</sup> Ibid.

right to the duty-free export of certain goods within the allocated quotas, starting in January 2007.<sup>17</sup>

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**Moldova was the first CIS country to open consultations with the European Union on the creation of a Free-Trade Area.**

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Insufficient funding and the erosion of an institutional framework that is poorly adapted to the specifics of its neighbouring countries has led to the ENP's failure to live up to expectations. This has resulted in the need to strengthen the Eastern Partnership (EaP) programme initiated with respect to six former Soviet republics (Ukraine, Moldova, Belarus, Georgia, Azerbaijan and Armenia), which was officially launched in May 2009. The principal novelty of this instrument was the possibility of signing (after the successful completion of a series of procedural formalities) an Association Agreement with the European Union allowing for the future creation of Free Trade Areas, the gradual elimination of duties on bilateral trade, the harmonization of standards and technical regulations for trade products and other conditions to create the basis for a common economic space.

**A Euro-integration “success story”**

It is symptomatic that the launch of the Eastern Partnership programme essentially coincided with the questionable coming to power of the pro-European coalition – the so-called Alliance for European Integration (following riots in Chisinau on April 7, 2009 after the announcement of the presidential election results).<sup>18</sup> After a series of political crises and a subsequent reformatting of the coalition, pro-European parties remain in power in Moldova to this day.

The Russian leadership has greeted both the EU initiative and the multiple changes of power in Chisinau with caution. It is clear that the European Union, with the support of the United States, is making yet another attempt to bring a number of former Soviet republics into its sphere of influence.

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**Having formally confirmed its strategic partnership with Russia in 2010, the Alliance for European Integration proceeded to make a beeline for the European Union.**

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To be sure, despite the fact that the Alliance for European Integration formally confirmed the policy to strengthen its strategic partnership with Russia in 2010

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<sup>17</sup> EU Grants Moldova Trade Preferences // Moldova.org. December 18, 2006. URL: <http://www.moldova.org/ru/es-predostavlyaet-moldavii-avtonomnie-torgovie-preferentsii-21834-rus/>

<sup>18</sup> Lavrenov S. Political Crisis in Moldova // Moldova–Transnistria Region. 2013. Nos. 1–2 (11–12), p. 62.

(on the basis of the 2001 Treaty of Friendship and Cooperation between the Russian Federation and the Republic of Moldova), it made a direct beeline for the European Union.<sup>19</sup> In doing so, the ruling class in Moldova was not concerned about the fact that the country was systematically failing to satisfy the quotas set for it by the European Union. Specifically, around 50 per cent of the quota for wheat and 82 per cent of that for sugar was delivered in 2012. Even the most renowned Moldovan winemakers were only able to deliver around 90 per cent of their quota.<sup>20</sup> The European Union's share in Moldova's total exports dropped accordingly.<sup>21</sup> Meanwhile, around 30 per cent of Moldova's GDP continued to be made up of remittances from labour migrants working abroad, primarily in Russia, where around one million Moldovan nationals are employed.<sup>22</sup> According to various estimates, around 70–80 per cent of total remittances to Moldova come from Russia (depending on the accuracy of official records and seasonal work).<sup>23</sup>

Despite the fact that Moldova, which has been touted as a “success story” of the EaP by the European Union and which is one of the largest beneficiaries of all the participants in the programme, life has deteriorated rapidly. Assessing the situation, Moody's international ratings agency concluded in 2013 that Moldova was a politically unstable country with an erratic economy, giving it a B3 rating.<sup>24</sup>

It is little surprise, then, that the numbers of “European dream” supporters started to dwindle. In 2009, for example, around 70 per cent of the population supported the idea of integration with the European Union. By the time Moldova had signed the Association Agreement in June 2014, however, that number had fallen to between 40 and 45 per cent (depending on which survey one cites).<sup>25</sup>

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**Moldova was one of the biggest beneficiaries of the countries that participated in the Eastern Partnership Programme.**

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As experts predicted, the liberalization of the Moldovan market following the signing of the Association Agreement led not only to heightened competition, but

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<sup>19</sup> Treaty of Friendship and Cooperation between the Russian Federation and the Republic of Moldova. November 19, 2001. URL: <http://kremlin.ru/supplement/3400>

<sup>20</sup> Moldova–Transnistria Region, 2013. Nos. 1–2 (11–12), p. 3.

<sup>21</sup> Moldova–Transnistria Region. 2013. No. 3 (13), p. 5.

<sup>22</sup> How Much Money Labour Migrants Do Not Send to Moldova // Sputnik. June 30, 2016. URL: <http://ru.sputnik.md/economics/20160630/7720902.html>

<sup>23</sup> Do Moldovan Migrants Need a Trade Union in Russia // Sputnik. October 13, 2016. URL: <http://ru.sputnik.md/society/20161013/9429151/migranty-gastarbaitery-budza-sidorov.html>

<sup>24</sup> Moody's Calls Moldova a Politically Unstable Country with an Erratic Economy // eNews. May 18, 2013. URL: <http://enews.md/news/view/30035/>

<sup>25</sup> The Content of the Association Agreement between the Republic of Moldova and the European Union // Support to the DCFTA Process in the Republic of Moldova. URL: <http://dcfta.md/rus/soderzhanie-soglasheniya-ob-associacii-mezhdu-rm-i-es>

also to a feeling of “competitive shock,” particularly in the agricultural and export-oriented industries.<sup>26</sup>

The protective measures taken by the countries of the Customs Union were also entirely predictable. Russia was particularly active in this regard, imposing restrictions in July–August on the import of certain types of agricultural products, raw materials and foodstuffs from Moldova.<sup>27</sup> The decision was taken primarily due to the high probability that Moldova would become a “transshipment base” for getting European goods masquerading as Moldovan goods onto the Russian market. The list of prohibited goods was later extended. As a result, Moldova’s exports to Russia fell by a third in the period 2014–2016.<sup>28</sup> The loss in trade with the East turned out to be far greater than the gains made in trading with the West.

The following data is evidence of the devastating effect that the pro-European track taken by the Moldovan government has had on the country.<sup>29</sup>

Indicator	November 2009	November 2015
Population	3,566,220 people	2,913 281 people
GDP	\$5.439 billion	\$2.644 billion (Q1 2015)
Leu exchange rate	\$1 = 11.05 lei	\$1 = 20.02 lei
External debt	\$796 million	\$1.83 billion
Inflation	0.4%	13.2%
Average wage	2748 lei (\$248)	4344 lei (\$216)
Average rent	834 lei	1500 lei
Living wage	1085 lei (\$98)	1724 lei (\$86)
Unemployment	6.4%	8.5%
Medical insurance	2637 lei	4056 lei
1 litre of petrol (95RON)	10.15 lei	17.6 lei

News that around 1 billion euros (one eighth of the country’s budget) had been stolen from three “too-big-to-fail” banks was a real bombshell for the country.<sup>30</sup> This prompted the formation of a mass protest movement in early 2015 against the oligarchy, which had used pro-European buzzwords to effectively “seize” power and establish control over all governmental and financial institutions. Such was the

<sup>26</sup> Government Calculates what the Creation of an EU–Moldova Free-Trade Area Will Entail // eNews. October 18, 2013. URL: <http://enews.md/articles/view/3919/>

<sup>27</sup> Russia Introduces Customs Duties on Goods from Moldova // RBC. July 31, 2014. URL: <http://www.rbc.ru/economics/31/07/2014/570420119a794760d3d40664>

<sup>28</sup> Moldovan Exports to Russia Fall by One Third // RTR Moldova. December 16, 2014. URL: <http://rtr.md/novosti/ekonomika/eksport-moldavskix-tovarov-v-rossiyu-sokratilsya-na-tret>

<sup>29</sup> How Moldova has Changed Since 2009 // Actualitati.md. January 21, 2016. URL: <http://actualitati.md/ru/kak-izmenilas-moldova-s-2009-goda>

<sup>30</sup> One Billion Euros Funnelled Out of Moldova through Latvian Banks // Basarabia.md. June 6, 2015. URL: <http://www.basarabia.md/milliard-evro-iz-moldovy-vyveli-cherez-banki-v-latvi/>

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outrage that for the first time in a very long time the right (the Dignity and Truth Platform Party and others) and left (the Party of Socialists, Partidul Nostru, etc.) joined forces in protest. The March 4, 2016 decision of the Constitutional Court to reinstall the system of nationwide direct presidential elections was enough to temporarily sooth the protesting masses.<sup>31</sup> However, it did nothing to eliminate the underlying causes of the general discontent.

### Moldova at a crossroads once again

In the wake of this protest, the leader of the Party of Socialists of the Republic of Moldova Igor Dodon scored a landslide victory in the presidential elections on November 13, 2016, despite the pro-European forces inside the country stepping up their efforts to hold onto power and the large-scale support they received from the West. Dodon's programme objectives were to restore the strategic partnership with Russia, hold early parliamentary elections, unite the country, receive international guarantees of the state's neutrality, the revival of Moldova, etc. Implementing all of these strategic goals will involve fierce political struggle, and the considerable social inertia inside the country will have to be overcome. The problem is not just that Dodon will face opposition in the pro-European parliament that was hastily put together by the Social Democratic Platform in January 2016, but also that the President of the Republic of Moldova actually has limited constitutional powers, as the country is a parliamentary republic. This means that Dodon will have to resort to the very powerful tool of referendums on the main points of his programme, each of which has great significance for the entire country.

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### Russia is still a powerful centre of attraction for Moldova.

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One thing is clear – it is imperative for Moldova to recognize the fact that Russia is still a powerful centre of attraction for the country, whether the ruling minority is ready to acknowledge this or not, and not only in the economic sense. What is more, the two countries to a certain degree share a common history and way of life; it is impossible to change the political class, no matter what its preferences may be. This means that Moldova is doomed to the agonizing search for balance in its mutual relations between the East and the West.

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<sup>31</sup> Constitutional Court Reinstates Nationwide Presidential Elections // Beltsky Nezavisimy Portal. March 4, 2016. URL: <http://esp.md/sobytiya/2016/03/04/konstitucionnyy-sud-vosstanovil-vsenarodnye-vybory-prezidenta>

# Twenty Five Years of Coping: Key Economic Trends in Tajikistan

Aza Migranyan

*Tajikistan's shaky economic development has been brought on by a number of factors: the Civil War caused significant damage to the country's economy; the protracted period of recovery; the chronic deficit of financial and investment resources. All this has led to rather meagre advances in economic development, despite the relatively high economic growth, especially in the last decade. The situation is the result of the deindustrialization of the economy, the dominance of agricultural raw materials in the country's exports, unresolved power shortage issues and dependence on remittances from Tajiks working abroad.*

Tajikistan is one of the poorest agro-industrial countries in the world despite its considerable economic potential. According to the International Monetary Fund (IMF), 63 per cent of the population lives on less than \$2 a day (by purchasing power parity). A prolonged war and the associated disruptions and human losses sent the economy into a downward spiral (in 1995, its GDP was 41 per cent of its 1991 level). The Tajikistani economy is one of the weakest in Central Asia. The republic's strong point is in its proven reserves of silver, lead, zinc and aluminium ores,<sup>1</sup> its considerable hydropower potential and its competitive carpet weaving industry.

The Tajikistani economy is defined by its high dependence on imports, its underdeveloped agricultural sector, the almost complete absence of industrial production, a poorly qualified workforce (the majority of the working force is abandoning the country) and a production decline across the board. In 2012, agriculture accounted for 30.8 per cent of GDP, with the manufacturing sector contributing a further 29.1 per cent, and service industry contributing 40.1 per cent.<sup>2</sup>

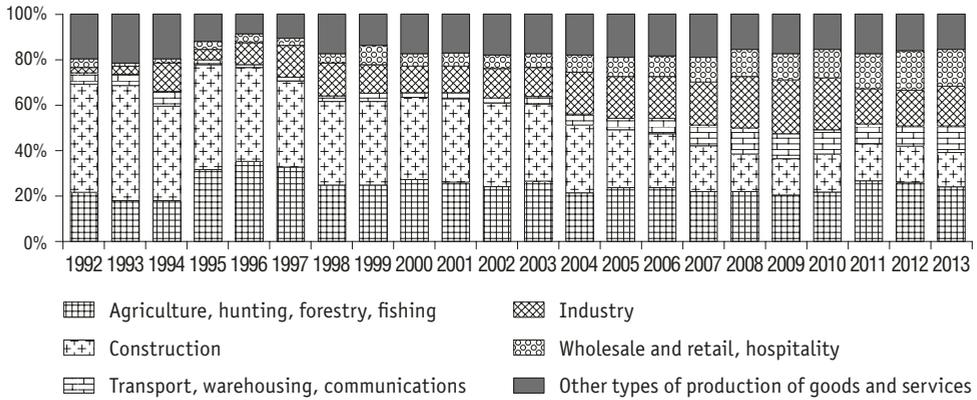
## GDP structure of Tajikistan by sector

The dominant factor in the Tajikistani economy during the period from 1992 to 2015 was a trend towards deindustrialization. In 1992, industrial production accounted for 47 per cent of the republic's GDP. By 2013, its share had shrunk to just 16 per cent. Agricultural output remained relatively stable during that period (growing from 20 per cent to 22 per cent). Meanwhile, the share of retail and wholesale trade increased from 3 per cent to 19 per cent, the construction sector grew from 5 per cent to 11 per cent of GDP, and transport and communications rose from 4 per cent to 16 per cent.

<sup>1</sup> According to data provided by the Main Department of Geology under the Government of Tajikistan. URL: <http://www.gst.tj/glavnaya/prirodnnye-resursy>

<sup>2</sup> Mihranyan A. The economy of Tajikistan: 20 years of sovereignty. URL: Source: <http://www.materik.ru/rubric/detail.php?ID=14207>

**Fig. 1. GDP sector composition of Tajikistan, 1992–2013**

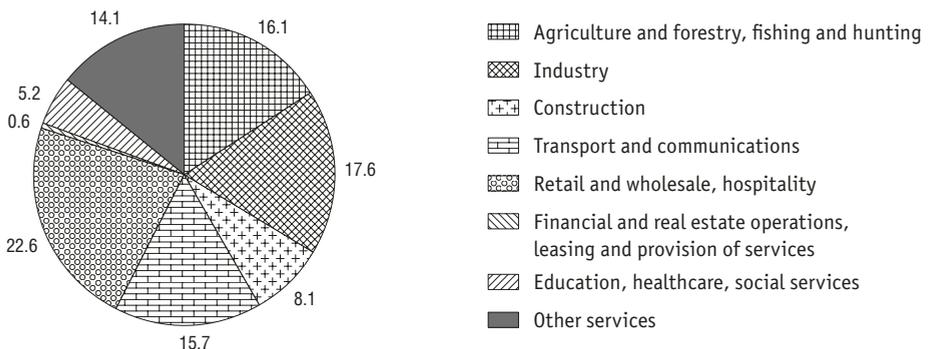


\* Compiled by the author based on data from the UNCTAD Statistical Database and national statistical agencies. URL: [http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx?IF\\_ActivePath](http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx?IF_ActivePath)

In contrast to other Central Asian republics, Tajikistan saw its share of other industries (the services and financial sectors) drop from 23 per cent to 7 per cent. This indicates a low level of development of small businesses and business activity prompted by a low demand for the services in question. The revised GDP sector composition for 2015 remains stable, showing a certain reduction in the agricultural output and in other sectors due to a drop in effective demand on both the domestic and external markets.

A distinctive feature of the sectoral composition of Tajikistan’s GDP is the roughly equal share of goods (46.4 per cent) and services (42 per cent) based on 2014 statistics. This ratio, however, demonstrates the republic’s low export potential given that the bulk of manufactured goods (with the exception of aluminium and

**Fig. 2. GDP sector composition in 2015 r., per cent**



\* Compiled by the author based on data from Statistical Agency under the President of Tajikistan. URL: [http://stat.tj/ru/img/7c100ecd268263d4697d456fc10eaa54\\_1409549229.pdf](http://stat.tj/ru/img/7c100ecd268263d4697d456fc10eaa54_1409549229.pdf); <http://www.protown.ru/information/hidden/3525.html>

raw cotton) are consumed domestically. The structure of industry in Tajikistan is primarily made up of the manufacturing industry (74 per cent, including aluminium production, petroleum processing, food and light industries), followed in a distant second by power generation and water production (19 per cent) and the mining industry (17 per cent). The main arable crops include raw cotton, grain and grain legumes, cucurbits and potatoes.

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**In addition to considerable bureaucratic hurdles for doing business, a range of other factors have contributed to a slowdown in GDP growth.**

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In an economy dominated by privately owned and small-scale enterprises (65 per cent, with the share of publicly owned enterprises at 35 per cent) the government retains control over all infrastructure facilities and export-oriented operations (aluminium and cotton production). According to the World Bank, Tajikistan shows a very low level of entrepreneurial freedom. It scored just 44 points on the World Bank's Index of Economic Freedom in 2015, placing it among those repressed countries that fail to facilitate the development of small and medium-sized enterprises. According to international estimates, regulatory practices in the republic are mostly of an authoritarian (repressive) nature. In a bid to overcome the severe bureaucratic limitations, the World Bank launched its Small and Medium Enterprise Development Project in 2009. However, the programme was not fully implemented because of a failure to comply with IMF requirements.

The following factors have contributed to the worsening of the sector composition and the slowdown of GDP growth in Tajikistan:

- The decline in demand for Tajikistan's main export products – cotton and aluminium – has led to a drop in their production and a contraction of the manufacturing and agricultural industries, i.e. of the real sector;
- The decreased demand for the main export products has reduced the country's foreign exchange earnings and, coupled with a decline in migrant worker remittances, considerably reduced domestic demand and imports (particularly, aluminium oxide imports used to produce aluminium);
- The 33.3 per cent decline in migrant worker remittances from 2014 to 2015 (the result of heavy reliance on workforce exports to Russia – the destination of 90 per cent of all migrants, and the sharp depreciation of the rouble) led to a significant drop in the value of the national currency – the somoni (with its official and market rates tumbling by 31.6 per cent and 38.6 per cent, respectively), as well as a 5.1 per cent surge in inflation according to official data;<sup>3</sup>

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<sup>3</sup> Based on official statistics of the Republic of Tajikistan; according to the Central Bank of Russia, the decrease in migrant remittances amounted to 51 per cent in 2015 compared to 2014, which is the result not only of the depreciation of the rouble, but also of new and more stringent rules on migrants from countries outside the Eurasian Economic Union.

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- The low level of economic freedom and the lack of attractive investment industries has resulted in lower public revenue and higher foreign debt (which has increased from 22.7 per cent in 2014 to 27.9 per cent in 2015).

Along with the low level of basic development, the non-competitiveness of the economy and a lack of growth drivers, the cumulative effect of these risk factors has aggravated the existing economic situation in Tajikistan. A unique feature of Tajikistan's economy is that it officially recognizes remittances from abroad as a growth driver for the economy and not just for the welfare of the population. This is due to the fact that, despite its best efforts, Tajikistan received the least external financing among Central Asian economies throughout the entire period that the study was conducted. The problem of low investment attractiveness has created a situation where the share of foreign direct investment has been reduced to an almost statistical error.

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### **In the recent years, Tajikistan has made considerable progress in resolving its foreign debt problem.**

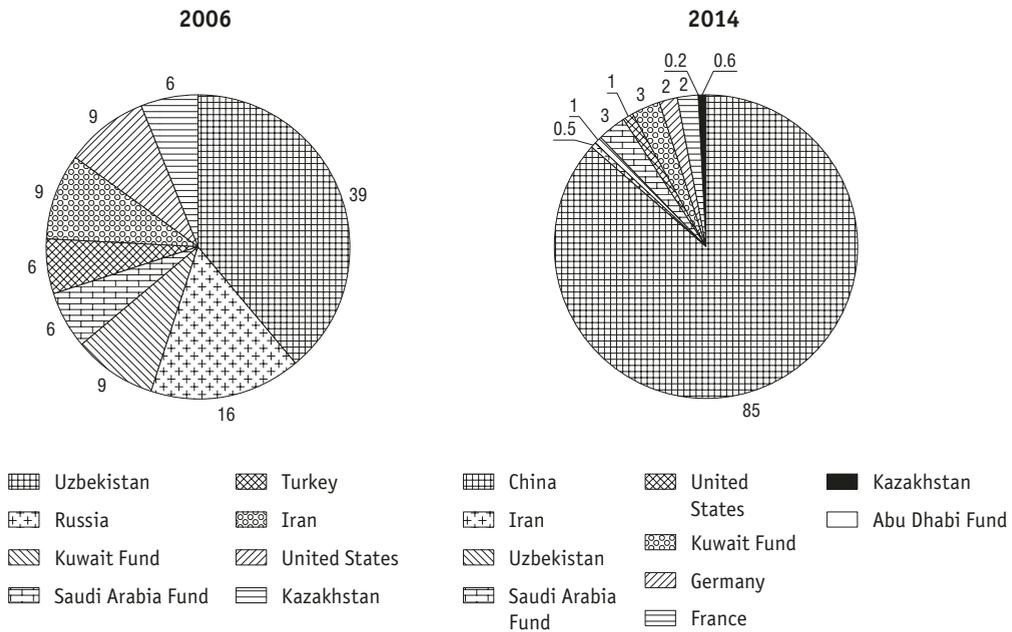
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Investors are only ready to inject money into the Tajikistan economy against government guarantees, which leads to an increase in external debt made up of multilateral and bilateral loan agreements between creditors and the Tajikistan government. All told, Tajikistan's foreign debt amounted to \$2,194.5 million in 2015 (compared to \$894.9 million in 2005), or 27.9 per cent of its GDP. This is without a doubt a considerable achievement, given that prior to 2000 external debt had consistently been above 100 per cent of GDP, peaking at 108.9 per cent in 2000. What is more, it is from this period that the foreign debt structure was improved considerably in regard to the composition of creditors. In 2007, Tajikistan's major creditors were international financial organizations (responsible for over 74 per cent of the country's total foreign debt) with 20 per cent more brought in by bilateral agreements (with Russia and Uzbekistan as its major creditor countries), and the remaining 6 per cent by other investments (including direct investments and investments against government guarantees).<sup>4</sup> The situation improved in 2015, with the pool of creditors expanding to include more countries. This also meant more that there could be more investments into specific development programmes rather

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<sup>4</sup> As of January 1, 2016, Tajikistan owes money to the following international financial institutions: the World Bank (International Development Association) – \$305.5 million; the International Monetary Fund – \$130.2 million; the Asian Development Bank – \$260.2 million; the European Bank of Reconstruction and Development – \$110.77 million; the OPEC Fund for International Development – \$40.23 million; and the EURASEC Anti-Crisis Fund – \$70 million. Source: Public Debt Report for 2015 of the Ministry of Finance of the Republic of Tajikistan. URL: [http://minfin.tj/downloads/otchet\\_2015.pdf](http://minfin.tj/downloads/otchet_2015.pdf)

Fig. 3. Tajikistan’s foreign debt structure by creditor nation, per cent



\* Tajikistan’s External Debt: Whom Does Every Citizen Owe \$257?  
 URL: <http://tjk.rus4all.ru/infographics/20150928/726174254.html>

than economic reform and crisis assistance programmes (the share of loans held by international institutions shrank to 40 per cent of the total loans, while creditors within the country accounted for 50 per cent).

The situation took a turn for the better in 2007 when China began investing heavily in the Tajikistani economy. Major Chinese investments began with \$216.7 million in loans in 2007 and reached \$888.7 million in investment in 2014. In 2015, the debt owed to China stood at 89 per cent of the total debt to creditor countries, with \$1068.6 million payable to the Export–Import Bank of China and \$12 million directly to the Chinese government (under a direct loan to the National Bank of Tajikistan). In total, the share of Chinese loans has reached 41 per cent of the total debt. Such a dependence on a single creditor appears to be a serious risk to Tajikistan’s financial independence.

**Chinese investment is crucial for Tajikistan’s infrastructure development.**

The first Chinese loan (for \$603.5 million) was signed in 2006 within the framework of the Shanghai Cooperation Organisation (SCO) and was allocated to

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infrastructure projects to build transportation and power lines.<sup>5</sup> Subsequent tranches were channelled into the completion of a railway line and highways, which are mainly used to transport Chinese goods to various locations. The transport routes were operating almost at full capacity as of the end of 2015.

The second loan (worth \$6 billion) was also signed within the framework of the SCO in 2014. The \$3.2 Billion of the total loan was injected into the construction of a gas pipeline linking Turkmenistan and China, while the remainder was invested in transport lines and the development of mineral resources.<sup>6</sup>

As of today, the effect of the new highways on the Tajikistani economy remains a moot point. The terms of the financing agreement implied that: 1) construction will be conducted by the Chinese side with the minimal involvement of Tajikistani resources; 2) management of the railway sections in question will be carried out by the Chinese investors under concession agreements; and 3) highway maintenance will be the responsibility of Chinese companies. The ambiguity of the economic effect of these investments stems from the fact that domestic transportation in Tajikistan, both in terms of domestic consumption and foreign trade, is insufficient to make the investment worthwhile. Heavier involvement of Chinese companies in the development of mineral deposits in Tajikistan only serves to further deepen the republic's dependence on China. Therefore, in addition to the risks of payment defaults, Tajikistan appears to be completely at the mercy of China when it comes to strategic resource management and transit potential.

The situation surrounding the China – Afghanistan – Iran railway project is a glaring example. While Tajikistan has taken an active interest in the project (if the railway line passes through Tajikistan, it could help the country break away from its transport dependence on Uzbekistan), the country's interests have been neglected for the sake of China's.<sup>7</sup>

<sup>5</sup> The Chinese loans were used to build power transmission lines (South – North, Lolazor – Khatlon, Khujand – Ayni, the single power grid of the northern Tajikistan, reconstruction of the Regar electrical substation, construction of the Heating Power Plant Dushanbe-2), reconstruction and construction of new motorways (Dushanbe – Kulma Pass along the border with China, and Dushanbe – Chanak to Uzbekistan), the construction of the Vahdat – Yovon section of the Dushanbe – Kurgan-tube railway line, the construction of a cryolite and aluminium fluoride plant, and the modernization of Tajik Aluminium Company (TALCO).

<sup>6</sup> In exchange for financing the construction of Heating Power Plant Dushanbe-2, Chinese companies were granted licenses to develop coal mines (Tajikistan is rich in coal reserves) according to the formula “investment in exchange for mining licenses.” In addition, a joint Tajikistan – China mining company began development of the Altyn-Topkan lead and zinc deposit near the town of Qayraqqum in Tajikistan's Sughd Province; China's Zijin Mining Group received a license to develop a gold deposit in Panjakent at the Tajikistan Gold Mining Plant, the buyout of which was completed in 2007.

<sup>7</sup> According to the Tajik side, the 1972-km long Kashgar – Herat section (including the 392-km section running through Tajik territory) would grant Tajikistan direct access to the railway networks of Kyrgyzstan and China. However, with the total budget for the Tajik section estimated at \$3.5 billion, China settled for a different route via Uzbekistan as a less expensive option. The project is being implemented on the China – Kyrgyzstan – Uzbekistan route.

## Tajikistan's foreign economic activities

Tajikistan's foreign economic activities are characterized by a chronic trade balance deficit, with import volume heavily outweighing exports. For instance, in 1993, imports grew by 171 per cent, while exports contracted by 37 per cent. In subsequent years, the imbalance in export and import growth rates evened out to a certain extent, but it remained larger than all the other Central Asian nations. In 2014, the gap shrank further, but the trade deficit still remained considerable at \$235.6 million in 2014 and \$168.7 million in 2015, or 9 per cent and 6 per cent and of GDP, respectively. In 2015, exports stood at \$83.5 million (down from \$91.3 million in 2014), while imports amounted to \$252.2 million (compared to \$326.9 million in 2014).

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**The pattern of Tajikistani exports has not shown any significant changes. It still includes finished products goods and products used as investment resources.**

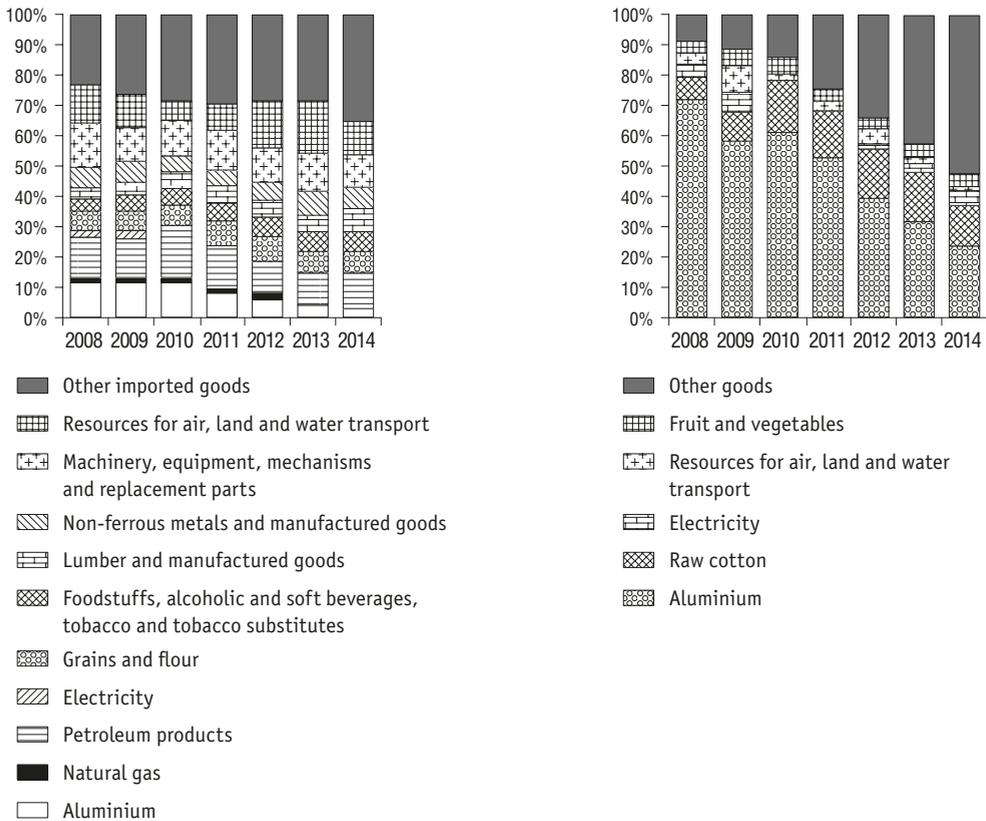
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Continued import surpluses are the result of a wide range of commodities consumed domestically, while the export structure is limited to a small line of export goods produced in Tajikistan. The key export commodities in Tajikistan include aluminium, raw cotton, electricity, fruit and vegetables and mineral resources (gold, silver, zinc, lead, rare earth metals, etc.). In the export structure, the share of the main strategic export product (aluminium) declined from 73 per cent in 2008 to 23 per cent in 2014. This was the result of the inability of the Tajik side to negotiate investments on behalf of its main aluminium producer, TALCO, whose Russian investor pulled out of the project in 2007. Also, while the degree of asset depreciation calls for modernization, efforts financed by Chinese investment (which lacked the introduction of state-of-the-art technology) did not produce the desired results. Furthermore, the chronic electricity shortage has a detrimental effect on the volume and quality of the product. The increase in the shares of other commodities is linked to a rise in the country's transit potential and the development of mineral resources, mainly by Chinese investors. The import structure has, in turn, been very consistent and includes a wide range of goods used as investment resources. For instance, aluminium oxide used in aluminium processing, petroleum products, non-ferrous metals, machinery and equipment as well as finished products such as wheat, flour, foodstuffs, electricity and natural gas are all included in the list of resources.

Tajikistan's major export partners are the CIS countries (20 per cent) and all remaining countries (80 per cent). Of that total, 10 per cent is exported to Russia; 7.4 per cent is exported to Kazakhstan, 3.4 per cent is exported to the European

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Fig. 4. Tajikistan's import and export commodity patterns, per cent



\* World Bank Tajikistan Economic Update. URL: <http://www.worldbank.org/content/dam/Worldbank/Publications/ECA/centralasia/Tajikistan-Economic-Update-Spring-2015-ru.pdf>  
 Trading Economics database. URL: Source: <http://ru.tradingeconomics.com/tajikistan/indicators>

Union; 10 per cent is exported to Iran; 40.7 per cent is exported to Turkey; and 7.4 per cent is exported to China. The main import partners of Tajikistan are the CIS countries, which provide 47.86 per cent of Tajikistan's imports. This includes 15.1 per cent from Kazakhstan; 4.3 per cent from Kyrgyzstan; 21.96 per cent from Russia; 27.7 per cent from Turkmenistan; 2.3 per cent from Ukraine; 12.1 per cent from the European Union; 4.6 per cent from the United States; 4.28 per cent from Iran; and for 14.6 per cent from China.

Therefore, the structure of Tajikistan's foreign trade confirms the economy's competitive advantages and reflects economic growth driven by limited export resources and a heavy dependence on imports, particularly on those from other CIS countries. These competitive advantages are what are shaping the country's production potential.

## Economic, financial and foreign exchange risks

The economic model of Tajikistan is a system of economic relations with a quasi-market structure. The market is heavily regulated and competitive regulations and economic freedoms are almost entirely at the beck and call of the government. Meanwhile, this economic model also relies on domestic demand. Because direct foreign investment is limited (due to the country's low investment rating) and production capacity is low, domestic demand is determined solely by the inflow of migrant worker remittances. In light of this, Tajikistan should be classified among those economies whose major export potential is formed on the basis of labour force migration, which is a major risk factor for the country's economy. The level of risk increases dramatically amid uncertainty of foreign markets, specifically within the countries that host immigrants. In the case of Tajikistan, that host country is Russia, where the economic recession led to a considerable decline in migrant wages and a surge in inflation. The inflation spiral was prompted by the pressure on the Tajikistani somoni from the falling Russian rouble and a corresponding increase in the US dollar rate. The national currency is susceptible to exchange rate fluctuations because of the high import share in the consumption structure. In 2014–2015, Tajikistan was under double pressure from the decline in migrant wages brought on by the falling rouble as well as a spike in prices due to the resurgent dollar.

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**Tajikistan's economy relies heavily on labour migration, which makes currency fluctuations a permanent risk for the economy.**

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The National Bank of Tajikistan was forced to resort to foreign exchange market interventions that nevertheless failed to have the desired effect. By the end of 2015, the somoni had plunged 46 per cent (from 4.77 to 6.98 somoni to the US dollar, a drop of 2.21 somoni compared to the end of 2013). In that same period, the somoni had risen 69.85 per cent against the rouble (by 0.0435 somoni per rouble).<sup>8</sup> It was the combination of the falling rouble and the strengthening of the dollar that caused the inflation spike. According to official statistics of the National Bank of Tajikistan, inflation reached 5.3 per cent, while the World Bank puts the rate at 8.9 per cent. Therefore, consumer purchasing power is still shrinking at an accelerating pace, while product affordability is declining. To prevent a critical decline in consumption and possible social tensions, the government has elected to set upper price limits and install rigid compliance controls. The strategy, however, only postpones dealing with the deep-seated problems.

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<sup>8</sup> In 2016, the dollar continued to improve, rising by 56 per cent (2.8 somoni per US dollar; from 5.03 to 7.86 somoni to the dollar compared to 2014). Based on data provided by the National Bank of Tajikistan. URL: <http://www.nbt.tj/ru/kurs/kurs.php?date=30.12.2015>

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With this economic model, the government of Tajikistan is trying, not unlike its Central Asian neighbours, to use investment to heat up its economy. However, faced with the lack of domestic resources, resorting to China as its main investor will not achieve this objective. China's investment schemes are not designed to have a stimulating effect on the Tajikistan economy.

### Possible scenarios for economic stability and growth in Tajikistan

In this situation, there can be only two possible scenarios of further economic developments in Tajikistan:

- **The “no-change” scenario:** The ‘no-change’ scenario implies that the current policies will be maintained, restricting the inflation rate through price controls and anticipating an increase in investments and migrant remittances following economic recovery in Russia. This strategy may be justified in the short term, provided that sufficient resources are procured to support the social sphere (which is only possible with new loans from international creditors).
- **The evolutionary scenario:** This scenario involves a dramatic change in economic policies by expanding the investment base through large-scale industrial cooperation with CIS countries and with Iran. Cooperation could take place with CIS countries if Tajikistan could ascend into the Eurasian Economic Union. Cooperation with Iran in conjunction with Uzbekistan through the development of the country's flagship industrial company TALCO is also possible. Furthermore, Russia, Kazakhstan and China are seen as likely interested parties with improved negotiating skills concerning cooperation. Russia, Kazakhstan and China could be utilized by helping to increase agricultural exports and by setting up agricultural processing facilities within the country. Therefore, this strategy involves the development of a new investment policy that would facilitate the creation of jobs and the development of the real sector. It would also require the deregulation of the economy (or at the very least, certain sectors thereof).

## Post-Soviet Turkmenistan: a Little-Known Present and an Uncertain Future

Andrey Kazantsev

*October 27, 2016 marked the 25th anniversary of Turkmenistan's declaration of independence. During that time, the country experienced significant socioeconomic change, as well as changes in its domestic and foreign policies. One of the most pressing problems today is the threat of religious extremism spreading through Turkmenistan, which could seriously affect security both within the country and in the Central Asian region as a whole.*

### A nation of tribes

In Soviet times, Turkmenistan was ranked alongside Tajikistan as the most backward republic in the USSR on all key socioeconomic indicators. Turkmenistan has large natural oil and gas reserves, and export is the country's major source of revenues; the greater part of Turkmenistan is covered by the sands of the Karakum Desert. During the Soviet Union, Turkmenistan relied on the export of natural gas, but this had little effect on the country's socioeconomic development. The collapse of the USSR created great hope among the people that the sale of hydrocarbons would make the country rich, but these hopes never materialized.

Unlike Tajikistan, Turkmenistan did not have a large number of intellectuals. In addition, the country lacked a unified national identity. In this respect, Turkmenistan is unique even against the background of the remnants of tribalism in other Central Asian states. Turkmenistan is a “nation” of tribes.<sup>1</sup> The key role among them is played by the Tekke tribe from Ahal, which controls the territory around the capital (the first President of the Republic of Turkmenistan Saparmurat Niyazov (1991–2006), and current President Gurbanguly Berdimuhamedow (since 2007), are from the Ahal Tekke tribe), as well as by the Tekke tribe from Mary, the Yomut, the Ersari, etc.

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**After the collapse of the USSR, Saparmurat Niyazov's neo-totalitarian regime was installed in Turkmenistan.**

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<sup>1</sup> Kadyrov S. A “Nation” of Tribes. Ethnic Origins, Transformations and the Prospects of Statehood in Turkmenistan. Moscow: Center for Civilizational and Regional Studies at the Institute for African Studies of the Russian Academy of Sciences, 2003; Kadyrov Sh. The Many-Faced Turkmençilik: Ethnographic Sketches, Concepts, and Terms. Moscow: Institute for Oriental Studies of the Russian Academy of Sciences, 2010.

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Inter-tribal feuds that go back centuries play a very important part in Turkmenistan's domestic clan and political life.<sup>2</sup> Another feature of Turkmenistan is that after the collapse of the USSR, a neo-totalitarian regime was installed in the country under the influence of its first President Saparmurat Niyazov. Niyazov assumed the title of Turkmenbashi ("the leader of the Turkmens"), was named President for Life and introduced the cult of *Ruhnama* (*The Book of the Soul*, which he had written), in which he was worshipped as a prophet. Niyazov's regime was characterized by mass repression, propaganda of "Ruhnama values" and by the President's rather eccentric public whims, which gave rise to the fairly popular description of post-Soviet Turkmenistan as a "Stalinist Disneyland".<sup>3</sup>

One of the positive achievements of Turkmenbashi's presidency was that the country was granted the status of a neutral state by the United Nations.<sup>4</sup> However, the credit here should go to Boris Şyhmyradow, who served as Minister of Foreign Affairs of Turkmenistan from 1995 to 2000. He was later persecuted on political grounds in connection with the attempt on President Niyazov's life in 2002. Whatever the case may be, Turkmenistan's neutral status contributed to solidifying its national sovereignty.

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**From the point of view of demographics, modern Turkmenistan is a fairly young society that is growing quantitatively.**

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Current President of Turkmenistan Gurbanguly Berdimuhamedow initiated a "thaw" with respect to the country's previous leader. However, just like Khrushchev's "thaw" in the Soviet Union, it has only mitigated the negative characteristics of the country's current regime, but has not dismantled the regime entirely. The "thaw" was largely superficial. Thus, mass purges ceased, and the cult of personality of the previous president was weakened. But it was replaced almost immediately with the cult of personality of Gurbanguly Berdimuhamedow. Freedoms were expanded somewhat for the country's citizens; for instance, they were allowed wider use of the internet. The state's socioeconomic policy became

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<sup>2</sup> In the final years of the Soviet era, the ruling Tekke of Ahal introduced a Memorial Day commemorating the capture of Geok Tepe by General Skobelev, which was the key point in the Russian conquest of Turkmenistan. Great numbers of the Ahal Tekke tribe were killed. The introduction of the Memorial Day was both anti-Russian and anti-Yomut. The Ahal Tekke people believe that the Yomut tribe betrayed them at a key stage of the battle against General Skobelev by not coming to their aid. This is why there are reports that, fearing for their safety, the Yomud people today try to avoid visiting Ashgabat (in particular, there are very few Yomut among the labour migrants who come to the capital from Turkmenistan's other regions), and as a child, the author of this article personally witnessed a brawl between Tekke students and Yomut.

<sup>3</sup> Kleveman Lutz. *The New Great Game: Blood and Oil in Central Asia*. Grove Press, 2004.

<sup>4</sup> On the other hand, at present, the official Turkmenistan's interpretation of the official neutral status may prove an obstacle to helping the country fight the threat of international terrorism.

more responsible: hospitals were reopened in provincial towns, and the education system that Turkmenbashi had largely demolished was strengthened.

As for Turkmenistan's relations with its neighbours, the most significant achievement was the construction of gas pipelines into China, as it reduced its dependence on exporting gas to Russia. However, other projects (in particular, the Turkmenistan – Afghanistan – Pakistan – India (TAPI) Pipeline and the Trans-Caspian Gas Pipeline) were never implemented. Under President Berdimuhamedow, relations with Russia remained virtually unchanged from Turkmenbashi's time. No appreciable rapprochement took place.

### Turkmen society: a socioeconomic portrait

Unfortunately, the lack of reliable statistics on post-Soviet Turkmenistan makes it very difficult to compile an objective portrait of the country today. Moreover, it prevents reliable forecasts of the country's development from being made.<sup>5</sup> The country is closed to foreigners (researchers and journalists have a very hard time obtaining a visa) and in this regard, Turkmenistan is comparable to North Korea. All the official information is essentially propaganda. Intelligence from opposition circles that sometimes seeps through should also often be treated as rumours. This places serious limitations on the sources available for conducting research on Turkmenistan.

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#### **There is a problem with obtaining reliable statistics on contemporary Turkmenistan.**

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From the point of view of demographics, contemporary Turkmenistan is a fairly young society that is growing quantitatively.

Due to its rich hydrocarbon reserves, Turkmenistan has a high GDP per capita for the region. Therefore, despite high level of structural unemployment and the lack of adequate healthcare and education in villages and provincial towns (under Turkmenbashi, the state spent huge amounts of money on prestige projects, yet all the hospitals outside the capital were closed down,<sup>6</sup> and the education system switched to studying the “holy book,” the *Ruhnama*),<sup>7</sup> migration abroad was far smaller than in other Central Asian countries. The outflow of migrants is also

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<sup>5</sup> Speaking anonymously, many experts in Turkmenistan, including those working with the national statistics system, state that data on the country is unreliable at best, or deliberately falsified at worst. See also: Kadyrov S. The Secrets of Turkmenistan's Demographics: Problems, Gaps, Falsifications. Moscow: Institute of Oriental Studies of the Russian Academy of Sciences, 2009.

<sup>6</sup> Turkmenbashi is Closing Down Hospitals and Libraries // Izvestia. March 3, 2005. URL: <http://izvestia.ru/news/300298>

<sup>7</sup> Navigator-II: Turkmenistan: Ruhmanan-ization is Sweeping the Country // Credo.ru. URL: <http://www.portal-credo.ru/site/?act=monitor&id=6270>

**Table 1. Demographic Characteristics of Turkmenistan**

Country	Median age	Births per 1000 people (2016 estimate)	Deaths per 1,000 people (2016 estimate)
Turkmenistan	27	19.3	6.1

Table compiled using US Central Intelligence Agency data.

Source: The World Factbook // Central Intelligence Agency. URL: [https://www.cia.gov/library/publications/the-world-factbook/wfbExt/region\\_cas.html](https://www.cia.gov/library/publications/the-world-factbook/wfbExt/region_cas.html)

**Table 2. The Relationship between Migration Flows and Economic Factors in Turkmenistan**

Country	Migration-related population growth/decline per 1000 people (2012 estimate)	Per capita GDP based on purchasing power parity (dollars)	Unemployment, (unofficial and official estimates)	% of population living below the poverty line, % (estimate)
Turkmenistan	-1.9	16,400 (2015 estimated)	11 (2014)	0.2 (2012)

Table compiled using US Central Intelligence Agency data.

Source: The World Factbook // Central Intelligence Agency. URL: [https://www.cia.gov/library/publications/the-world-factbook/wfbExt/region\\_cas.html](https://www.cia.gov/library/publications/the-world-factbook/wfbExt/region_cas.html)

impeded by the government’s policies, as there are certain restrictions on travelling abroad.

The role that Russia plays in labour migration and shuttle trading is significantly lower in Turkmenistan than it is in other Central Asian states. Turkey, on the other hand, plays a larger role (due, among other things, to the linguistic proximity of the Turkmen and Turkish languages, which both belong to the same group within the Turkic language family). Additionally, territorial factors increase the roles of Iran and the Persian Gulf countries.

Migration from Turkmenistan also has a number of specific qualitative features. During the Soviet period and up to the collapse of the USSR, the non-Turkmen population – largely concentrated in the capital Ashgabat – played a major role in the cultural and scientific life of the country and ensured the efficient running of government structures and the security forces. Just like in other Central Asian states, many Russians, Ukrainians, Jews and Tatars lived in Turkmenistan at the time. The country was known for having a large Armenian population. Before the Revolution of 1917, Turkmenistan was a separate Trans-Caspian Region of Russian Turkestan. It was closely tied to the South Caucasus and served as the preferred destination for the masses of Armenians migrating from what today is Azerbaijan. Prior to the devastating earthquake of 1948, Ashgabat was even considered an Armenian city. All aspects of the society’s life bore the heavy consequences of the mass exodus of the non-Turkmen population (to Russia, Western countries and Israel), which was accelerated due to Turkmenistan’s unilateral cancellation of dual citizenship with Russia in the wake of the 2002 attempt on Turkmenbashi’s life.

The situation was further exacerbated by the fact that the Turkmen national intelligentsia had traditionally been smaller in numbers than in other Central Asian states. Turkmenbashi carried out mass purges aimed mostly against the highly educated Turkmen officials and intelligentsia and, as a result, this cultural stratum also experienced mass emigration. The situation in healthcare and education started to improve gradually under the country's second President Gurbanguly Berdimuhamedow through the abandonment of the previous regime's most odious measures (*Ruhnamanization*, for instance) and an increase in financing.<sup>8</sup> Yet unofficial estimates suggest that these improvements cannot radically change the situation.

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**The economic and debt crises could, among other things, also trigger instability and the rise of extremism.**

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When analysing Turkmenistan's socioeconomic situation, it is necessary to take into account the trends of the last two years, which have not yet been fully addressed by international statistics. These trends include the negative economic influence of falling prices for oil and gas, the debt crisis in the relations with China as the principal gas buyer (now gas is mostly supplied as payments for previously received loans), and the food crisis.

On the whole, research paints a picture of a developing society with a relatively young but uneducated population that is experiencing high unemployment levels, and which is living off revenues from the sale of hydrocarbons.

**Security and religion: the growing threat of Islamic extremism**

Currently, Turkmenistan is among the post-Soviet countries that is experiencing a sharp escalation in religious extremism. This problem is linked to several factors: 1) in 2014–2015, forces linked with ISIS appeared on the border between Turkmenistan and Afghanistan, which is populated by Turkmen tribes; and 2) Salafi propaganda is on the rise in Turkmenistan.<sup>9</sup> Unfortunately, due to the country's insular nature, the international community has no reliable information on the situation inside Turkmenistan.

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**Turkmenistan faces the problem of a sharp increase in religious extremism today.**

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<sup>8</sup> Berdimuhamedow's education and employment makes him a member of the national intelligentsia; he is a dentist by training.

<sup>9</sup> Zuev I. ISIS Breaches Turkmenistan's Border: Border Guards Suffer Losses // Nakanune.ru. July 24, 2015. URL: <http://www.nakanune.ru/news/2015/7/24/22409079>

Until around 2013–2014, Turkmenistan was more or less free from religious extremist groups and their emissaries.<sup>10</sup> Virtually all the emissaries of the Hizb ut-Tahrir organization in Turkmenistan failed, because the population was essentially unresponsive to their propaganda efforts, and there was often no demand for the literature they smuggled into the country.<sup>11</sup> It was only in 2014–2015, when matters on the border between Turkmenistan and Afghanistan deteriorated, that the situation changed. The media ran news reports on the sharp increase in religious extremism in Turkmenistan. At the same time, religiosity on the whole is on the rise. And this is true for the younger generation as well. This much is evident from the number of people who attend mosques on religious holidays in places where mosques did not even exist previously (for instance, in Ashgabat).

The situation on the border between Turkmenistan and Afghanistan deteriorated significantly in late April 2015.<sup>12</sup> There are many descendants of the Basmachi who fought against the Soviet forces among the Turkmens living in the Afghan borderlands. The Turkmen population in those Afghan regions have traditionally been strong supporters of the Taliban. However, over the past year or so, a large number of them have unexpectedly switched their allegiance to ISIS (some expert data state that it was due to major financial infusions from abroad, possibly from Qatar, with the purpose of blocking the construction of the TAPI pipeline).<sup>13</sup>

As for the Armed Forces of Turkmenistan, despite the reforms currently being introduced by the authorities, the real state of affairs is still unsatisfactory, and it is doubtful that the military is capable of responding effectively to emerging threats.<sup>14</sup> This much was obvious with the escalation on the border between Turkmenistan and Afghanistan. There is a palpable atmosphere in the country that the authorities are preparing for war and mobilizing their forces. More stringent conditions for national military service are being introduced.<sup>15</sup>

At the same time, Turkmenistan is careful to maintain its neutral status. To this end, the government of Turkmenistan has officially denied the existence of a threat

<sup>10</sup> Bobokhonov R. Islam in Post-Soviet Turkmenistan // *CentrAsia*. February 26, 2014. URL: <http://www.centrasia.ru/newsA.php?st=1393364520>

<sup>11</sup> Babaev M. Islam in Turkmenistan // *Gundogar News*. July 5, 2013. URL: [http://gundogar-news.com/index.php?category\\_id=4&news\\_id=272](http://gundogar-news.com/index.php?category_id=4&news_id=272)

<sup>12</sup> The Situation on the Turkmenistan–Afghanistan Border Is Escalating // *EurAsia Daily*. July 7, 2015. URL: <http://eadaily.com/news/2015/07/07/situaciya-na-turkmensko-afganskoy-granice-nakalyaetsya>

<sup>13</sup> Andrey Devyatov: Storming Mosul Threatens the Turkmenistan–China Gas Project // *TPP–Inform*. October 20, 2016. URL: <http://tpp-inform.ru/comments/biznes-za-rubezhom/38964/>

<sup>14</sup> Taliban Creates New Threats on the Turkmenistan–Afghanistan Border // *Stan Radar*. February 3, 2015. URL: <http://www.stanradar.com/news/full/14877-taliban-sozdaet-novye-ugrozy-na-turkmeno-afganskoj-granitse.html>

<sup>15</sup> Taliban Creates New Threats on the Turkmenistan–Afghanistan Border // *Stan Radar*. February 3, 2015. URL: <http://www.stanradar.com/news/full/14877-taliban-sozdaet-novye-ugrozy-na-turkmeno-afganskoj-granitse.html>

on the border with Afghanistan. It even sent an official note to that effect to Kazakhstan after President Nursultan Nazarbayev made a statement voicing certain concerns that he and Vladimir Putin have regarding the situation on the border between Turkmenistan and Afghanistan.<sup>16</sup> This creates serious problems for organizing international efforts to aid Turkmenistan.

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**Turkmenistan is experiencing difficulties in ensuring the country's defense capabilities.**

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On the whole, it should be noted that extremist sentiments have never been widespread in Turkmenistan. However, the situation has begun to change radically over the last year or two as a result of the destabilization in neighbouring Afghanistan. It is precisely on the border between Turkmenistan and Afghanistan that ISIS is most active in its efforts to penetrate into Northern Afghanistan. It should be noted, however, that we are only talking about a “game of flags” right now: certain groups of Afghan Turkmens living on the border raise the ISIS flag in exchange for money from the Middle East, but they do not take orders directly from the “Caliph”. Nonetheless, there is no denying that invasions are possible.

The key problems that could provoke instability and the growth of religious extremism include, in addition to the factors already listed, the economic and debt crises. Since the construction of Chinese pipelines through Turkmenistan is set up as a loan and not an investment, Turkmenistan is currently facing a debt crisis. That, in turn, leads to social problems.<sup>17</sup> In addition, inter-tribal relations have deteriorated somewhat because, unlike the late Turkmenbashi, President Berdimuhamedow favours the Ahal Tekke in everything. Hence the growing discontent among other tribes, not only among Yomut, who are traditionally hostile to the Tekke, but also among other groups (including the related Tekke tribe from Mary, whose business has recently been subjected to severe restrictions).

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<sup>16</sup> Ministry of Foreign Affairs of Turkmenistan Issues a Note of Protest to Kazakhstan after the Statement on the Incidents on the Turkmenistan–Afghanistan Border // *Khronika Turkmenistana*. October 15, 2015. URL: <http://www.chrono-tm.org/2015/10/mid-turkmenistana-vyirazil-protest-v-adres-kazahstana-posle-zayavleniy-ob-intsidentah-na-turkmeno-afganskoy-granitse/>

<sup>17</sup> Turkmenistan: Famine Awaits the People of the Rich Gas-Producing Country // *IA Fergana*. November 16, 2016. URL: <http://www.fergananews.com/news/25615>

## Uzbekistan at a Crossroads

Oleg Popadyuk

*The 25th anniversary of Uzbekistan's independence found its citizens in mourning: the first President and "founding father" of the Republic, Islam Karimov, had died. He had led the country for more than a quarter of a century, starting from the time when he was still First Secretary of the Central Committee of the Communist Party of the Uzbek Soviet Socialist Republic. It was the end of an era in the history of Uzbekistan. Although Islam Karimov was a controversial figure, he was an outstanding statesman who commanded great authority both inside and outside the country. He may not have been loved by the people of Uzbekistan, but they most definitely respected him. How will the country change under a new leader?*

Islam Karimov can without a doubt be credited with preserving the stability of Uzbekistan and ensuring peace and security, as well as interreligious and interethnic harmony, within the country. The same cannot be said of Uzbekistan's troubled neighbours to the east and the south. Islam Karimov built up a workable state system and effective intelligence agencies. He skilfully balanced the interests of influential groups and regional clans and waged an uncompromising war against radicalism and Islamism. It was hard to imagine the political system, and indeed Uzbekistan, without Islam Karimov. Nearly half of the population of Uzbekistan have never known another leader, having been born and raised during his time as president – around 45 per cent of the 31 million Uzbek citizens are under the age of 25.<sup>1</sup>

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**Even after Karimov's death the political system in Uzbekistan demonstrated its vitality, as the transition of power did not create instability within the country. An internal political struggle could have destroyed the foundations of the country's political legitimacy.**

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The departure of the first president came as a surprise. He had not prepared a political will and testament and he did not name a successor – not publicly anyway. Such uncertainty could have provoked a struggle among the ruling elites, which in turn would have led to socio-political upheavals, a weakening of state institutions and increased activity among underground Islamists.

The political system built by Islam Karimov remained stable, proving that it could function without him. The transition of power proceeded smoothly and

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<sup>1</sup> Demographic Data // Republic of Uzbekistan State Statistical Committee. URL: <http://stat.uz/ru/statinfo/demograficheskie-dannye>; The Population of Uzbekistan. The Size of Uzbekistan's Population // WorldGlobe.ru. URL: <http://www.world-globe.ru/countries/uzbekistan/people/>

painlessly. Experts named three main contenders for the presidency:<sup>2</sup> the influential, but fairly old (72), Head of the National Security Service, Rustam Inoyatov; First Deputy Prime Minister and Minister of Finance Rustam Azimov; and Prime Minister Shavkat Mirziyoyev. The latter became the chairman of the commission to organize Karimov's funeral and then Acting President of Uzbekistan.<sup>3</sup> This shows that Mirziyoyev is the candidate who has been agreed by all and who is acceptable to the ruling class of Uzbekistan. He understands that internal discord may undermine his legitimacy – the stability and peace for the sake of which the population of Uzbekistan is ready to make a compromise with the authorities and not demand greater political and economic freedoms.

It should be noted that, under Article 96 of the Constitution of Uzbekistan, the post of Acting President of the Republic is to be occupied by the Chairman of the Senate (in this case Nigmatilla Yuldashev), but he withdrew his candidacy.<sup>4</sup> The Constitution does not say what is to be done in such cases. Both Houses of Parliament have asked Mirziyoyev to be President until the early election scheduled for December 4, 2016.<sup>5</sup> Taking part in the 2016 election campaign are candidates from four officially registered political movements that can be described as pro-establishment: the Uzbekistan National Revival Democratic Party (Milliy Tiklanish); the Uzbekistan Liberal Democratic Party (which nominated Mirziyoyev); the People's Democratic Party of Uzbekistan; and the Justice Social Democratic Party of Uzbekistan (Adolat).<sup>6</sup> Representatives of so-called non-systemic opposition, most of whom live abroad, are not taking part in the presidential election.

### The young crop of leaders

Shavkat Mirziyoyev represents the new, younger generation of Uzbek politicians (was born in 1957) whose government career developed in independent Uzbekistan. He owes his career exclusively to Islam Karimov.

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**Drastic changes are not expected to be made to the country's domestic or foreign policies: power has been passed to Karimov's "direct successor."**

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<sup>2</sup> Bologov P. The Tashkent Triumvirate: Who Will Replace Karimov as Head of Uzbekistan // Carnegie Moscow Centre. August 31, 2016. URL: <http://carnegie.ru/commentary/?fa=64428>

<sup>3</sup> According to the surviving Soviet tradition, the person who heads the Government Committee for the Funeral of the previous General Secretary becomes the next General Secretary.

<sup>4</sup> Constitution of the Republic of Uzbekistan. Section 5, Chapter XIX, Article 96. URL: <http://www.press-service.uz/ru/constitution/laws/five/>

<sup>5</sup> Baranova M., Bratersky A. Prime Minister Appointed President // Gazeta.ru. September 8, 2016. URL: [https://www.gazeta.ru/politics/2016/09/08\\_a\\_10183475.shtml](https://www.gazeta.ru/politics/2016/09/08_a_10183475.shtml)

<sup>6</sup> Central Election Commission of Uzbekistan. Nominees from Four Parties to Take Part in Presidential Election // TASS. September 23, 2016. URL: <http://tass.ru/mezhdunarodnaya-panorama/3648024>

Mirziyoyev was appointed Prime Minister of the Government of Uzbekistan in 2003. He was responsible for the most challenging and unpopular jobs, including the annual nationwide cotton-picking campaign. The fact that Mirziyoyev stayed in his post for so long (nearly 13 years) shows that Islam Karimov trusted him; he was Karimov's right-hand man, completely loyal to him, and he did not demonstrate any desire to emerge from under the shadow of his boss (the first photographs of Mirziyoyev appeared in foreign media three years after his appointment).<sup>7</sup>

Abrupt changes in the internal political course and in economic policy are not on the cards. Mirziyoyev calls himself a direct successor to Islam Karimov, his apprentice. He said as much in his first speech as Acting President.<sup>8</sup> There is a consensus among experts that Mirziyoyev, like Islam Karimov, is a “tough, cool-headed, and consistent leader,” who in many ways copies the style and methods of Uzbekistan's first president.<sup>9</sup>

The first thing Mirziyoyev did upon taking office was to carry out a government reshuffle, thus indicating his presidential ambitions. In early September, he sacked a deputy prime minister and the Minister of Education, gave broader powers to Minister of Finance Rustam Azimov,<sup>10</sup> made a number of personnel changes in the defence and law enforcement agencies, and brought back a number of politicians who had fallen out of favour: A. Aripov (who was sacked from the government in 2012) returned to his former post of Vice Prime Minister, and R. Kasymov was reinstated to the position he held until his dismissal eight years ago.<sup>11</sup>

The new Uzbek leader would like the current election to be as transparent as possible and will seek to minimize irregularities in order to demonstrate to the whole world that Uzbekistan is a state with established democratic institutions and values. It has to be noted that the 2016 elections are being held under new rules: the number signatures needed to nominate a candidate has been cut from 5 per cent to 1 per cent; a clear definition of the types and methods of campaigning was given; a “day of silence” was introduced; and the procedures for early voting were determined.<sup>12</sup>

<sup>7</sup> Ardayev V. Islam Karimov's Successor to Preserve Uzbekistan's Former Course // RIA Novosti. September 16, 2016. URL: <https://ria.ru/analytics/20160916/1477151010.html>

<sup>8</sup> Speech by the Prime Minister of the Republic of Uzbekistan Shavkat Mirziyoyev at the Joint Session of the Legislative Assembly and the Senate of the Supreme Assembly // Press Service of the President of the Republic of Uzbekistan. September 9, 2016. URL: <http://www.press-service.uz/ru/news/5325/>

<sup>9</sup> Sheinkman M. Tashkent Makes up Its Mind on the Main Issue. Formalities Don't Matter // RIA Novosti. September 9, 2016. URL: <https://ria.ru/accents/20160909/1476541362.html>

<sup>10</sup> Pannier B., Klevtsova A.. Mirziyoyev Consolidates His Position // Azattyk Radio. 27 September, 2016. URL: <http://rus.azattyq.org/a/uzbekistan-mirziyaev-konsolidacia-pozitsiy/28015748.html>

<sup>11</sup> The Old Guard Returns // UzMetronom.com. September 14, 2016. URL: [http://www.uzmetronom.com/2016/09/14/vozvrashhenie\\_starojj\\_gvardii.html](http://www.uzmetronom.com/2016/09/14/vozvrashhenie_starojj_gvardii.html)

<sup>12</sup> Abduraimova N. Presidential Election: Mirror of Democratic Transformations and Reform // State Power Portal of the Republic of Karakalpakstan. November 8, 2016. URL: <https://docviewer.yandex.ru/?url=http%3A%2F%2Fsovmnrk.gov.uz%2Fru%2Fnews%2Fgetpdf%2F8187&name=8187&page=5&c=5831deed191d>

The country has invited observers from reputable international organizations, such as the Commonwealth of Independent States (CIS),<sup>13</sup> the Shanghai Cooperation Organisation (SCO), the Organisation of Islamic Cooperation (OIC) and the Association of World Election Bodies.<sup>14</sup> In addition, the Office for Democratic Institutions and Human Rights of the Organization for Security and Cooperation in Europe (ODIHR OSCE) will send a full-fledged mission to monitor the presidential election in Uzbekistan for the first time.<sup>15</sup> The mission will consist of 28 permanent and 250 temporary observers. The elections will be covered by more than 500 representatives of foreign media outlets.<sup>16</sup>

The Human Rights Commissioner of the Parliament of Uzbekistan launched a hotline to deal with possible irregularities during the elections to prompt and improve the voting culture and civic responsibility of the Republic's population.<sup>17</sup>

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### **Uzbekistan's new leader wants the presidential elections to highlight the level of development of the country's democratic institutions and values.**

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The Central Election Commission (CEC) of the Republic of Uzbekistan will seek to prevent so-called "family" voting, which is when one person casts ballots for all the other members of the family.<sup>18</sup> A massive educational campaign is under way: all the regions in the country have organized seminars for the members of electoral commissions.<sup>19</sup> For the first time, a programme of measures to increase the legal awareness of voters has been adopted. Other innovations include the opening of polling stations in pre-trial detention centres to enable citizens who have not yet been sentenced to vote.<sup>20</sup>

The candidates themselves have launched a public election campaign, which is unusual for Uzbekistan.<sup>21</sup> For example, Shavkat Mirziyoyev has created an account

<sup>13</sup> Head of the CIS Executive Committee to Lead Observer Mission at Uzbekistan Elections // RIA Novosti. October 24, 2016. URL: <https://ria.ru/world/20161024/1479868733.html>

<sup>14</sup> OSCE Will Send First Full Observer Mission to Uzbekistan // RIA Novosti. October 21, 2016. URL: <https://ria.ru/world/20161021/1479772541.html>

<sup>15</sup> Ibid.

<sup>16</sup> Uzbekistan Presidential Election to Be Covered by More Than 500 Media Representatives // RIA Novosti. October 28, 2016. URL: <https://ria.ru/world/20161028/1480219084.html>

<sup>17</sup> Uzbekistan's Ombudsman to Open "Hotline" for the Presidential Election // RIA Novosti. October 13, 2016. URL: <https://ria.ru/world/20161013/1479180865.html>

<sup>18</sup> CEC in Uzbekistan Seeks to Prevent "Family" Voting in the Election // RIA Novosti. October 11, 2016. URL: <https://ria.ru/world/20161110/1481105348.html>

<sup>19</sup> CEC of Uzbekistan Holds Training for Election Commission Members // RIA Novosti. November 16, 2016. URL: <https://ria.ru/world/20161116/1481495128.html>

<sup>20</sup> Polling Stations for People under Criminal Investigation Will Open in Uzbekistan for the First Time // RIA Novosti. November 14, 2016. URL: <https://ria.ru/world/20161114/1481302685.html>

<sup>21</sup> Dzhanibekov: Public Politics is Born in Uzbekistan. Freedom of Expression May Not Be Far Behind // Fergana News Agency. October 28, 2016. URL: <http://www.fergananews.com/articles/9142>

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on Facebook, which has more than 45,000 subscribers.<sup>22</sup> For the first time Uzbekistan has a “virtual reception office” of the Acting President where citizens can go with their problems and complaints about the red tape used by local bureaucrats. More than 3000 complaints were filed in its first ten days of operation.<sup>23</sup> Most of them had to do with housing and utilities issues. As a result, the Acting President announced plans to establish a new ministry to improve the management of this important area.<sup>24</sup> Active campaigning is under way at the local level. Shavkat Mirziyoyev is conducting a direct dialogue with voters. Between November 11 and 19, 2016, he held meetings with the people in the Khorezm, Surkhandarya, Kashkadarya, Jizzakh and Syrdarya regions.

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### **Uzbekistan is humanizing its legal system under the guidance of the new President.**

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Shavkat Mirziyoyev seeks to project an image of an active, energetic and concerned leader who feels strongly about the people’s problems and aspirations. To score political points, he has introduced a ban on child labour in the cotton picking and irrigation industries, a practice that has been often criticized by human rights organizations. There is a “crisis hot line” that citizens can use if they are forced to take part in agricultural work.<sup>25</sup> A number of important roads in Tashkent that had been closed previously to ensure Islam Karimov’s security have been opened to traffic.

Measures have been taken to reform the justice system and make it more humane.<sup>26</sup> From April 1, 2017, for example, the courts will be allowed to use alternative punishments, the time that suspects can be held will be cut by 24 hours, and preliminary criminal investigations will take seven months instead of one year.

### **Economic agenda**

The economy is the Achilles heel of Uzbekistan. It is hard to assess the economic situation objectively because official data diverges in many cases from assessments by international organizations and experts.<sup>27</sup> For example, the State

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<sup>22</sup> Mirziyoyev Creates Facebook Account. URL: <https://www.facebook.com/Mirziyoyev>

<sup>23</sup> More than 3000 Applications Filed with Mirziyoyev’s Online Reception Office in 10 Days // RIA Novosti. October 4, 2016. URL: <https://ria.ru/world/20161004/1478494125.html>

<sup>24</sup> Housing and Utilities Ministry May Be Established in Uzbekistan // Gazeta.uz. October 21, 2016. URL: <https://www.gazeta.uz/ru/2016/10/21/communal>

<sup>25</sup> Crisis Hot to Be Available For People Forced to Take Part in Cotton Picking // Sputnik. September 27, 2016. URL: <http://ru.sputniknews-uz.com/society/20160927/3791311.html>

<sup>26</sup> Mirziyoyev Approves Measures to Reform Justice System // UzDaily. October 23, 2016. URL: <http://www.uzdaily.uz/articles-id-30209.htm>

<sup>27</sup> Migranyan A. The Peculiarities of Uzbekistan’s Economic Growth // Materik. September 24, 2016. URL: <http://www.materik.ru/rubric/detail.php?ID=15441>

Committee of the Republic of Uzbekistan on Statistics reports an annual GDP growth of 8 per cent.<sup>28</sup> However, the economic situation and the wellbeing of the Uzbek people have not improved noticeably over the past five years.<sup>29</sup> Uzbekistan is still a densely populated agricultural country with a fairly closed economy. Agriculture accounts for 17.6 per cent of the country's GDP; about 44 per cent of the labour force works in the agricultural sphere. Almost a third of the population has left the country to work abroad, having failed to find a job at home.<sup>30</sup> According to the International Monetary Fund (IMF), GDP per capita based on purchasing power parity (PPP) was a little over \$6000 in 2015.<sup>31</sup> Wage arrears are common, including at strategic enterprises and defence and law enforcement agencies, and fuel supplies are erratic.<sup>32</sup> The financial and banking sector is overregulated. There is no free currency exchange in the Republic. There are two exchange rates: the "black" rate, which functions illegally but with official connivance (7000 som to the US dollar as of the end of November 2016); and the official rate (3150 som to the US dollar) which makes exchange transactions practically impossible.<sup>33</sup> Moreover, because of the situation on the global markets and the economic problems in Russia, the national currency is depreciating at a rapid pace. Thus, in mid-2015, the black market price for \$1 was 4500 som,<sup>34</sup> while the official rate was 2570 som.<sup>35</sup> This effectively paralyzes business activities and the influx of foreign investments.

Uzbekistan is rich in natural resources. In 2015, it was the 11th largest producer of natural gas in the world, and the third largest exporter and sixth largest producer of cotton.<sup>36</sup> It has the seventh largest uranium reserves and the fourth largest gold reserves in the world. Uzbekistan's currency earnings dropped recently, largely due to the fall of world prices for the country's main export items, which are all commodity-oriented. Remittances from Uzbek "guest workers," most of whom

<sup>28</sup> Macroeconomic Indicators for January–December 2015 // State Statistical Committee of the Republic of Uzbekistan. URL: <http://stat.uz/uploads/ekonom/ekon/makro-dekabr-ru-2015.doc>

<sup>29</sup> Popadyuk O. Uzbekistan: 20 Years of Independence // Russian International Affairs Council. January 26, 2012. URL: [http://russiancouncil.ru/inner/?id\\_4=64#top-content](http://russiancouncil.ru/inner/?id_4=64#top-content)

<sup>30</sup> Bologov P. GDP Trebles. The Secret of the Uzbek Economic Miracle // Carnegie Moscow Centre. June 1, 2016. URL: <http://carnegie.ru/commentary/2016/06/01/ru-63606/j0hl>

<sup>31</sup> Per Capita GDP Based on PPP: Uzbekistan // TrendEconomy. April 12, 2016. URL: [http://data.trendeconomy.ru/imf/weo/Gross\\_domestic\\_product\\_based\\_on\\_purchasing\\_power\\_parity\\_PPPPC/Uzbekistan](http://data.trendeconomy.ru/imf/weo/Gross_domestic_product_based_on_purchasing_power_parity_PPPPC/Uzbekistan)

<sup>32</sup> Uzbekistan's Problems Acquire Systemic Character // Fergana News Agency. July 9, 2016. URL: <http://www.fergananews.com/articles/8614>

<sup>33</sup> Dynamics of Currency Rates // Central Bank of the Republic of Uzbekistan. URL: <http://www.cbu.uz/uzc/arkhiv-kurov-valyut/dinamika-kurov-valyut/>

<sup>34</sup> Uzbekistan's Problems Acquire Systemic Character // Fergana News Agency. July 9, 2016. URL: <http://www.fergananews.com/articles/8614>

<sup>35</sup> Currency Exchange Rate Dynamics // Central Bank of the Republic of Uzbekistan. URL: <http://www.cbu.uz/uzc/arkhiv-kurov-valyut/dinamika-kurov-valyut/>

<sup>36</sup> Uzbekistan: Alignment of Forces after Karimov's Death // TASS. September 2, 2016. URL: <http://tass.ru/mezhdunarodnaya-panorama/3588248>

work in Russia, have dropped by more than half. In 2015, remittances stood at \$2.37 billion (compared with \$5.653 billion in 2014).<sup>37</sup>

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**The economic situation in Uzbekistan is somewhat contradictory. While the State Committee on Statistics reports an annual growth of 8 per cent, this is not reflected in the wellbeing of the Uzbek people. The economy will be the major challenge facing the new president.**

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For the sake of fairness, it should be noted that Uzbekistan has made great progress in the World Bank's *Doing Business* index, moving from 166th place in 2012 to 87th place in 2017.<sup>38</sup> Improvements have been registered mainly in big business, while the rules and norms for small and medium-sized business remain confusing and complicated. Still, Uzbekistan lags behind other CIS states: Kyrgyzstan (75th), Armenia (38th) and Kazakhstan (35th).

The priority task for the future president is to take urgent measures to stimulate economic growth, develop agriculture and industry, strengthen foreign economic ties and attract foreign investments. The Republic plans to double the number of free economic zones.<sup>39</sup>

The reforms have made a difference to Uzbek farmers, who now have to surrender only 25 per cent of their earnings from the sale of their products for foreign currency to the state. Previously, farmers had to give up half of their currency earnings, and they suffered significantly due to differences in exchange rates.<sup>40</sup>

Other key tasks facing the new president include improving the business climate, deregulation, and lifting administrative barriers that hinder business activities.<sup>41</sup> A decree issued by Shavkat Mirziyoyev has introduced changes to the procedures for inspecting businesses, cancelled unscheduled inspections, and exempted entrepreneurs who have committed their first legal offense from administrative or criminal liability.<sup>42</sup>

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<sup>37</sup> Remittances from Labour Migrants from Russia to Central Asian Countries Slump 60% in 2015 // Fergana News Agency. March 19, 2016. URL: <http://www.fergananews.com/news/24560>

<sup>38</sup> Uzbekistan Places 87th in Doing Business 2017 Rating // Sputnik. October 26, 2016. URL: <http://ru.sputniknews-uz.com/economy/20161026/3976271.html>

<sup>39</sup> The Number of Free Economic Zones in Uzbekistan Will be Doubled // Movement of Entrepreneurs and Businessmen: Liberal-Democratic Party of Uzbekistan. November 15, 2016. URL: <http://www.uzlidep.uz/ru/news/vybory-2016-novosti-partii/chislo-svobodnyh-ekonomicheskikh-zon-v-uzbekistane-uvlechitsya-vdvoe>

<sup>40</sup> Expectations of Liberalization Come True // UzMetronom.com. September 20, 2016. URL: [http://www.uzmetronom.com/2016/09/20/ozhidaniya\\_liberalizacii\\_opravdyvajutsja.html](http://www.uzmetronom.com/2016/09/20/ozhidaniya_liberalizacii_opravdyvajutsja.html)

<sup>41</sup> Good Business Climate Guarantees Sustained Development // Movement of Entrepreneurs and Businessmen: Liberal-Democratic Party of Uzbekistan. November 19, 2016. URL: <http://www.uzlidep.uz/ru/news/blagopriyatnyy-delovoy-klimat-zalog-ustoychivogo-razvitiya>

<sup>42</sup> Pulled Away from the Feeding Trough // UzMetroo.com. October 6, 2016. URL: [http://www.uzmetronom.com/2016/10/06/otluchili\\_ot\\_kormushki.html](http://www.uzmetronom.com/2016/10/06/otluchili_ot_kormushki.html)

Corruption is a serious problem facing Uzbekistan. According to Transparency International, Uzbekistan is in 153rd place in the Corruption Perceptions Index. Shavkat Mirziyoyev has submitted a draft law On Combatting Corruption to the Parliament's Legislative (Lower) House.<sup>43</sup> The draft law sets forth the main principles and areas of state policy in the fight against corruption; encourages participation of citizens, civil society institutions and the media; and is called upon to protect private property from being grabbed by government officials and protect entrepreneurs against illegal interference in their activities.

Uniform prices for petrol and other fuels have been introduced throughout the country. Previously, the people in Tashkent enjoyed priority in the distribution of fuel and could buy it at a price that was 30 per cent lower than in other regions. This led to speculation, artificial fuel shortages and regional inequalities.

### New page in foreign policy

Foreign policy priorities will essentially remain the same. Uzbekistan is still against taking part in military-political blocs, hosting military bases on its territory and sending its troops abroad.<sup>44</sup> In an address to Parliament, Shavkat Mirziyoyev declared that he intended to strengthen diverse relations with Russia, China, the United States, and countries in Europe and Asia.

There is every reason to believe that the arrival of the new leader will provide a powerful impulse to Russian–Uzbek relations. One sign of this is the warm meeting between Russia's President Putin and Shavkat Mirziyoyev, who promised to build up a strategic partnership with Russia so as “to strengthen the bridge that you [Putin] built together with Islam Karimov over the course of several years.”<sup>45</sup>

Particular attention will be paid to strengthening partnership with Uzbekistan's neighbours in Central Asia. The chance has appeared for this interaction to be given a new start. It should be noted that Uzbekistan's relations with Kazakhstan, Kyrgyzstan and Tajikistan have been anything but easy, often due to bad personal chemistry between their leaders. These “obstacles” are now gone. Dialogue with Kazakhstan's President Nursultan Nazarbayev got off to a good start: Shavkat Mirziyoyev held a meeting with him and has talked to him over the phone.

Contacts with Kyrgyzstan, on whose border there were several armed clashes in 2016, have become more active. The two parties have expressed “an interest in stepping up bilateral relations and serious political intention to solve the issues

<sup>43</sup> Uzbekistan's Acting President Submits Anticorruption Bill to Parliament // RIA Novosti. October 15, 2016. URL: <https://ria.ru/world/20161015/1479289851.html>

<sup>44</sup> Speech by the Prime Minister of Uzbekistan Shavkat Mirziyoyev at a Joint Session of the Legislative House and the Senate of the Supreme Assembly // Press Service of the President of the Republic of Uzbekistan. September 9, 2016. URL: <http://www.press-service.uz/ru/news/5325/>

<sup>45</sup> Conversation with Uzbekistan Prime Minister Shavkat Mirziyoyev // Kremlin.ru. September 6, 2016. URL: <http://kremlin.ru/events/president/news/52839>

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between the two countries through a constructive dialogue.”<sup>46</sup> Negotiations on border demarcation with Tajikistan have resumed.<sup>47</sup> After 22 years, the two countries intend to restore air and rail links.<sup>48</sup> These shifts will make a substantial contribution to trust between the neighbours and may provide the basis for resolving the problem of distribution of water resources, a sore issue in Central Asia which, in President Karimov’s opinion, could have led to war.<sup>49</sup>

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**Russia–Uzbek relations could receive a fresh impulse after the arrival of the new President of Uzbekistan.**

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President Erdogan of Turkey has visited Uzbekistan. Relations with Turkey deteriorated in the mid-2000s after Turkey granted political asylum to Muhammad Salih, leader of the Erk opposition party in Uzbekistan.<sup>50</sup> The two sides decided to let bygones be bygones and take “bilateral relations to a qualitatively new level,” opening “a new page in mutually beneficial cooperation.”<sup>51</sup>

### Uzbekistan’s future leader

In spite of the death of its long-time leader Islam Karimov, Uzbekistan has preserved political and socio-economic stability, and its governmental mechanisms continue to work smoothly. There have been no conflicts among the groups in power, which have agreed on a compromise in the figure of Prime Minister Shavkat Mirziyoyev. Although the presidential elections have not yet been held, the result can be predicted. Mirziyoyev is set to win by a landslide and become President of the Republic of Uzbekistan.

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**The decline in the prosperity of Uzbekistan citizens could lead to increased terrorist activity.**

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<sup>46</sup> Kyrgyzstan and Uzbekistan Say They Are Ready to Resolve Their Differences // RIA Novosti. September 15, 2016. URL: <https://ria.ru/world/20160915/1476992309.html>

<sup>47</sup> Tajikistan and Uzbekistan Resume Talks on Delimitation and Demarcation of Common Border // Fergana News Agency. November 21, 2016. URL: <http://www.fergananews.com/news/25629>

<sup>48</sup> Panfilova V. Tashkent and Dushanbe Will Start Relations with a Clean Slate // Nezavisimaya Gazeta. November 22, 2016. URL: [http://www.ng.ru/cis/2016-11-22/6\\_6865\\_blanklist.html](http://www.ng.ru/cis/2016-11-22/6_6865_blanklist.html)

<sup>49</sup> Uzbekistan President Slams Proposal to Build Kambaratinskaya and Rogunskaya Hydroelectric Power Plants // Fergana News Agency. September 7, 2012. URL: <http://www.fergananews.com/news.php?id=19412>

<sup>50</sup> Kislov D. Uzbekistan–Turkey: Handshake Over a Grave // Fergana News Agency. November 18, 2016. URL: <http://www.fergananews.com/articles/9164>

<sup>51</sup> Uzbekistan–Turkey: New Opportunities for Cooperation // Press Service of the Republic of Uzbekistan. November 18, 2016. URL: <http://www.press-service.uz/ru/news/5364/>

The new leader will inherit a number of serious economic and social problems, as well as difficulties in foreign and domestic policy. The toolkit used by Islam Karimov is somewhat outdated and does not meet the requirements of Uzbek society. Realizing this, Shavkat Mirziyoyev has outlined a plan of cautious reforms (although even that marks a big step forward by Uzbek standards) in various spheres of Uzbek society, in order to improve public administration, create a favourable investment climate, and soften legislation. It is, however, too early to say whether these innovations will be “cosmetic” or represent a long-term course for drastic changes in Uzbekistan.

The new Uzbek leadership will continue its consistent and uncompromising fight against terrorist and Islamist threats. On that issue Russia, China, and other Central Asian countries are reliable allies. Terrorism may become still more of a challenge inside Uzbekistan if living standards fall and popular discontent, which could take a radical religious form, increases.

On the whole, external players (notably Russia and China) are interested in maintaining stability and continuity in Uzbekistan. The reason for this is not so much large-scale investments (accumulated Russian investments in Uzbekistan amount to \$6 billion), but rather because an aggravation of the internal situation and increasing social unrest in Uzbekistan are fraught with serious consequences that could bring waves of migration, sharpen regional conflicts, increase radical and extremist sentiments, and create humanitarian problems. Therefore, Russia, China, and other countries will provide extensive economic, technological, and military assistance to Uzbekistan.

# Ukraine: Twenty Five Years of Missed Opportunities

Aleksander Gushchin

*The year of 2016 has in many respects been a milestone year for the region that is conventionally referred to as the post-Soviet space. It marks 25 years since the disintegration of the USSR and the creation of the new independent states. Almost everywhere in the region this quarter of a century has been extremely rich in socio-political changes. Ukraine, however, occupies a special place even against this background as a unique example of large-scale transformations. On the one hand, by choosing to go with a pluralistic political model at home, and by adhering for a long time to the principles of multifaceted foreign policy, Ukraine managed, at least in the 1990s, to maintain a certain balance of stability. On the other hand, recent events in the country demonstrate that the very model of Ukrainian statehood is full of hidden traps and pitfalls, and that the Ukrainian elites have in many instances been unable to cope with the mission of ensuring the development of society and the government, which has resulted in a number of serious crises.*

## Economics of degradation

By the time of the collapse of the USSR, Ukraine ranked second among the Soviet republics in terms of economic potential after Russia. This potential should have objectively been transformed with the country switching to the free-market economy model. Nevertheless, the very transition to that model proved an overall failure. The Ukrainian economy has developed in an obviously non-linear manner since 1991. From the beginning of the 2000s and up until the onset of the global financial and economic crisis, the Ukrainian GDP growth rate averaged around 7.5 per cent annually.<sup>1</sup> In 2010, the country's annual economic growth stood at around 5 per cent, and in 2012 it was registered at 0.3 per cent.<sup>2</sup> Compare this to the period between 1989 and 1999, during which Ukraine's GDP shrank by nearly 61 per cent.

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**The very model of Ukrainian statehood is full of hidden traps and pitfalls, and that the Ukrainian elites have in many instances been unable to cope with the mission of ensuring the development of society and the government.**

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<sup>1</sup> Aslund A. Why is Ukraine so Poor? // RBC Daily. Moscow, November 5, 2014. URL: <http://www.iie.com/publications/opeds/oped.cfm?ResearchID=2705>

<sup>2</sup> The Ukrainian Challenge for Russia // Russian International Affairs Council. URL: [http://russiancouncil.ru/inner/?id\\_4=6260#top-content](http://russiancouncil.ru/inner/?id_4=6260#top-content)

On the whole, however, Ukraine has failed to demonstrate long-term economic growth, unlike its neighbours. It is telling that countries with completely different economic models (for example, Poland or Belarus), which had more or less the same opportunities during the collapse of the Soviet Union and the Eastern bloc, have managed to avoid such crisis situations, despite all their developmental difficulties they have experienced. Poland's GDP has grown threefold percentage-wise since the early 1990s, compared to Ukraine's growth of just 63 per cent compared to the 1990 level.<sup>3</sup> This difference is only partially down to the massive assistance that the European Union has given Poland. Belarus, however controversial its economic model, has never experienced anything even close to Ukraine's economic woes, even though it has seen its share of individual crisis trends due to the unfavourable foreign economic climate of the past few years. Ukraine is down there alongside Moldova as one of the most backward countries in the post-Soviet state in terms of low GDP growth dynamics. The country has been similarly underperforming in terms of the Index of Economic Freedom, net exports, and the level of savings and investment, which has declined by 22.5 per cent over the past three years.<sup>4</sup>

The hostilities in the southeast of the country and the Crimea's secession dealt a massive blow to the Ukrainian economy. As of 2013, Crimea accounted for 3.8 per cent of the country's combined GDP, while Donbass contributed 16 per cent.<sup>5</sup>

Russia remains an important trade partner for Ukraine, but its share in the country's overall trade continues to decline. According to the Federal Customs Service of Russia, Ukraine–Russia trade amounted to \$39.6 billion in 2013, making Ukraine the fifth largest trade partner Russia after Germany, Italy, the Netherlands and China. Two years later, the figure had dropped to \$14.97 billion, and Ukraine had fallen out of the top 10 of Russia's largest trade partners.<sup>6</sup> In 2015, trade in commodities and services between Ukraine and Russia stood at \$15,990.9 million, which is \$10,902.2 million or 40.5 per cent less than in 2014. Mutual trade in commodities alone amounted to \$12,315.1 million, down \$10,183.1 million or 45.3 per cent from 2014.<sup>7</sup> The 2016 trade in commodities is projected to decline further to \$10 billion. The National Bank of Ukraine estimates that the cumulative negative effect of the Russian food embargo (as a protectionist measure in response

<sup>3</sup> For details see the web-site of the State Statistics Service of Ukraine. URL: [http://www.ukrstat.gov.ua/operativ/operativ2007/so\\_ek\\_r\\_u/soekru\\_u/12\\_2007/page\\_02.htm](http://www.ukrstat.gov.ua/operativ/operativ2007/so_ek_r_u/soekru_u/12_2007/page_02.htm)

<sup>4</sup> Twenty Five Years of Ukrainian Independence: The Economic Results. URL: <https://www.youtube.com/watch?v=zMxOytV9OJA>

<sup>5</sup> Adarov A., Astrov V., Havlik P., Hunya G., Landesmann M., Podkaminer L. How to Stabilise the Economy of Ukraine. Final Report. The Vienna Institute for International Economic Studies, 2015. P. 13. URL: <http://wiiw.ac.at/how-to-stabilise-the-economy-of-ukraine-dlp-3562.pdf>

<sup>6</sup> Ukrainian Economy Fails to become Independent of Russia // Vzglyad. August 15, 2016. URL: <http://vz.ru/economy/2016/8/15/826553.html>

<sup>7</sup> Ukrainian Embassy in the Russian Federation. URL: <http://russia.mfa.gov.ua/ru/ukraine-ru/trade>

to the signing the Association Agreement between Ukraine and the European Union)<sup>8</sup> and the restrictions on transit introduced by Russia will amount to \$1.1 billion.<sup>9</sup>

Despite the fact that the Association Agreement between Ukraine and the European Union has come into effect, so far it has not had any noticeable positive impact on the country's economic performance.<sup>10</sup> Even though the agreement is expected to have a delayed effect, the Ukrainian foreign trade crisis continues; the balance of payments is worse than in 2015.<sup>11</sup> In addition, exports are shrinking, particularly in the hi-tech sectors. This downfall has continued in 2016: according to the State Statistics Service of Ukraine, in January–March, Ukrainian exports fell by 11.5 per cent, imports shrank by 6.2 per cent, and the balance of foreign trade went into the red again.<sup>12</sup>

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### **Ukraine has failed to demonstrate long-term economic growth, unlike its neighbours.**

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Ukraine is experiencing a zero balance of exports and imports with the European Union. The balance used to be negative; however, Ukraine has arrived at the current level at the expense of declining EU imports, rather than as the result of a growth in exports. Nearly 40 per cent of all Ukrainian exports are in the form of agricultural produce; this figure has been growing against the backdrop of a recession in crop farming and cattle breeding, which means that growth is being achieved at the expense of the shrinking mechanical engineering sector and light industry. The share of the processing industry in Ukraine's overall production profile has shrunk from 30 per cent to 10 per cent over the past 25 years.<sup>13</sup>

With its current extreme reliance on foreign capital injections, the Ukrainian economy is waiting for a decision from the IMF on a new credit tranche. If the country receives what would be its fourth tranche, it will find it easier to stabilize the currency exchange rate, and will be able to ensure a 2–3 per cent economic growth. If, however, it does not receive a fourth tranche (Ukraine had to work hard to secure the previous loan of \$1 billion from the IMF, which it then directed to the

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<sup>8</sup> Ukraine Foreign Trade: Is There a Limit to How Far it will Fall? // EurAsia Daily. June 15, 2016. URL: <https://eadaily.com/ru/news/2016/06/15/vneshnyaya-torgovlya-ukrainy-est-li-predel-padeniyu>

<sup>9</sup> Ukraine Foreign Trade: Is There a Limit to How Far it will Fall? // EurAsia Daily. June 15, 2016. URL: <https://eadaily.com/ru/news/2016/06/15/vneshnyaya-torgovlya-ukrainy-est-li-predel-padeniyu>

<sup>10</sup> For details see *Association Agreement between the European Union and its Member States, of the One Part, and Ukraine, of the Other Part* at URL: <http://euroua.com/association/>

<sup>11</sup> Ukraine's Balance of Payments. URL: <http://index.minfin.com.ua/balance/>

<sup>12</sup> Economic Statistics. Foreign Economic Activity // State Statistics Service of Ukraine. URL: <http://www.ukrstat.gov.ua/>

<sup>13</sup> Twenty Five years of Ukrainian Independence: The Economic Results. URL: <https://www.youtube.com/watch?v=zMxOytV9OJA>

national gold and currency reserves in order to help stabilize the financial system),<sup>14</sup> then, provided that the National Bank conducts a strict monetary policy and expenses are cut, the dollar exchange rate could be maintained at around 30 hryvnias, and the country could achieve a GDP growth of around 0–1 per cent. In the worst-case scenario, with the National Bank failing to rein in inflation, the political crisis worsening and the IMF refusing to provide Ukraine with another tranche, the possibility of inflation getting out of hand and reaching 25 per cent is fairly high, and this would be accompanied by a GDP decline of up to 2–3 per cent.<sup>15</sup>

Even if the best-case scenario comes to pass, Ukraine remains in economic crisis, despite isolated examples of successful production efforts and business projects launched after 2014. It is becoming increasingly difficult to attribute the lack of any discernible development to the simmering conflict in the southeast of the country, especially given the fairly strong support from international financial structures. Ukraine, which has opted for a single-vector pro-Western course, has not yet realized that replicating the positive elements of the EU economic and administrative system is not the same as living according to the European way of life.

Ukraine still needs to develop the innovative sectors of its economy, improve the tax system, alleviate the fiscal burden, simplify administration and develop the agricultural sector through the production and export of processed products. It is also vitally important to work on both the European and Asian markets, where the Ukrainian presence has also been shrinking. If it does not address these issues, and without intensifying the fight on all-encompassing corruption and the shadow economy (even though the latter has had a certain cushioning effect over the past several years in terms of maintaining the living standard of the population), which have become intrinsic features of the Ukrainian state and society, the country cannot expect to ensure sustained economic growth and overcome the negative trends of the 25 years of its development.

### Domestic policy: pluralism and democracy the Ukrainian way

The history of Ukraine's domestic political development over the past 25 years is more difficult to assess than its economic situation. While the country's economic performance does itself provide sufficient evidence enough of the negative trends, the domestic political situation is more complex (it should be noted that Ukraine's domestic policy is to a large extent to blame for its economic failures).

### **Russia remains an important trade partner for Ukraine, but its share in the country's overall trade continues to decline.**

<sup>14</sup> Kiev Double-Crossing the IMF // Gazeta.ru. URL: <https://www.gazeta.ru/business/2016/10/14/10251089.shtml#page3>

<sup>15</sup> Third Year without Russia: Analysing Ukraine's Economic Performance // Politcom.ru. URL: <http://politcom.ru/21676.html>

■ Aleksander Gushchin

On the one hand, Ukraine has managed over the past 25 years to ensure that the electivity of state officials, create a pluralistic political model, and retain the latter in the face of transformations. Leonid Kravchuk, the first President of Ukraine, may be a controversial figure, but his role in creating this system is impossible to deny, as is the role of the post-Soviet Ukrainian elite, which pioneered the country's statehood by ensuring the introduction and implementation of these processes for the sake of uniting the variegated regions of the country and helping establish the rules of the game, which continued to work throughout the 1990s despite all the difficulties. Back then, despite all the problems of the Ukrainian political system, the country's parliament was more responsible and professional than it is now, both in terms of its composition and the lobbying rules. This, however, was to a great extent down to the Soviet legacy. Ukraine as a new independent state never got down to introducing an efficient model of domestic political development, despite having such critical post-Soviet instruments and competitive elections at its disposal.

The Ukrainian elite of the early 1990s was a symbiosis of Soviet ideocratic and technocratic tendencies. This symbiosis was governed by a system of checks and balances, including between the country's eastern and western regions, which helped keep the situation in relative balance. However, there were other trends gaining strength in the country virtually from the very beginning of the 1990s; the new independent Ukraine, which was pursuing the goal of building a young state, ran into a plethora of challenges and failed to handle them.

The most important problem was that of negative selection: the country's political and economic elites gradually degraded throughout the 1990s, and the system started to transform into a specific kind of oligarchic capitalism characterized by social stratification, the enrichment of the top handful of people, the absence of social responsibility, and the desire to use power exclusively for personal gain.

All this was accompanied by unprecedented infrastructural degradation, growing corruption, demographic decline and emigration among the most active categories of the population, primarily the youth. It was this profound social crisis that caused the events which are now known as the Orange Revolution or the First Maidan.<sup>16</sup>

Another important negative trend was the gradual growth of nationalist sentiments, which were to a certain extent fuelled by the desire of the powers that be to use this trend for their own interests. The nationalist moods correlated conveniently with Ukraine's drive towards shedding its imperial and Soviet legacy completely, and played a role in the gradual reduction of humanitarian and cultural contacts with Russia, accompanied by mistakes in Russia's "soft power" policy with regard to Ukraine. All these factors combined to produce a severe cumulative effect, which created the preconditions for the current breakup.

<sup>16</sup> The Ukrainian Challenge for Russia // Russian International Affairs Council. URL: [http://russiancouncil.ru/inner/?id\\_4=6260#top-content](http://russiancouncil.ru/inner/?id_4=6260#top-content)

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**Nearly 40 per cent of all Ukrainian exports are in the form of agricultural produce; this figure has been growing against the backdrop of a recession in crop farming and cattle breeding, which means that growth is being achieved at the expense of the shrinking mechanical engineering sector and light industry.**

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The evolution of the domestic political situation in Ukraine demonstrates that elections and a ramified system of political parties, while certainly being important, do not necessarily guarantee the creation of a modern democracy if accompanied by a permanent economic crisis and the complete dissociation of the elites from the interests of the country's strategic development. Quite the contrary, in the Ukrainian system they facilitated the coming to power of people who proved incapable of running a country and were only good at creating and enriching their own clans, which would often be formed on a territorial basis.

To many in Ukraine, the Euromaidan events turned into an attempt to carry out personal purification. This attempt, however, came at a colossal cost. It may have changed a significant portion of society to a great extent, but it has not yet done the same to the powers that be, which are still represented by the same old personalities, with the rare exception of some new faces. New figures have certainly emerged; many of these have achieved certain success regionally. They represent the younger generation and the future of Ukraine will depend on them to a great extent. However, their success or failure will depend on whether the political class can find a new sense of responsibility and develop an effective development programme, which would not only proclaim a pro-Western course, but also lay the foundations for modernization within the country, using the European standards and rules as a means to this end rather than an end in itself.

It is very important for Ukraine to change its perception of Russia in the coming years. This goal, however unfathomable it may appear at the moment, is fairly attainable, but reaching it will require time and effort. In this sense, everything will depend on how quickly Ukraine manages to switch from the confrontational and defensive phase in its work to form a political nation to a peaceful and constructive one. This also depends on the positions of all the external actors involved in the Ukrainian crisis, and also on Russia. Now that the post-Soviet stage of Ukraine's history is over, the question that country's political class is facing can no longer be answered in a manner that was characteristic for the 1990s and the 2000s, because the very existence and future of the Ukrainian state are at stake.

### Foreign policy dynamics

Ukraine's post-Soviet foreign political model has been more dynamic over the past 25 years than its domestic and economy policies. It has evolved since its establishment into a multifaceted model, with European integration its fundamental

goal. Back in the 1990s, even without being fully integrated into the CIS, Ukraine managed to maintain relations with Russia and conduct an overall balanced policy. Now, however, European integration has not only largely supplanted the country's relations with Russia, but it has also stripped Ukrainian foreign policy of its flexibility.

Despite the fact that Ukraine's foreign policy was more balanced back then than it is today, Ukraine had already set course towards building closer ties with the West and distancing itself from Russia in the 1990s. It was then that many of Kiev's current foreign policy positions were conceived. Under President Leonid Kuchma, foreign policy in post-Soviet Ukraine experienced a boom period. It was largely thanks to Kuchma's pro-Russian rhetoric that he was elected president in the first place. He managed (temporarily, as it later turned out) to mitigate the desire of the Crimean people to integration with Russia; he also managed, in 1997, to complete the division of the Black Sea Fleet, and to finally sign the Treaty on Friendship, Cooperation and Partnership between the Russian Federation and Ukraine.<sup>17</sup> On the other hand, even Kuchma's presidency cannot be appraised unambiguously. This especially concerns his second tenure when, in the 1999 election, he campaigned as a pro-Western president. It was under Kuchma that Ukraine took its first steps towards NATO by signing the NATO–Ukraine Action Plan,<sup>18</sup> and the foundation was laid for the subsequent rapprochement with the European Union. It was also under Kuchma that Ukraine became a member of the GUAM (formerly GUUAM) Organization for Democracy and Economic Development, an integration structure aimed at minimizing Russia's influence over the post-Soviet space.

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**Ukraine remains in economic crisis, despite isolated examples of production efforts and business projects launched after 2014. It is becoming increasingly difficult to attribute the lack of any discernible development to the simmering conflict in the southeast of the country, especially given the fairly strong support from international financial structures.**

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Later, after the Orange Revolution, Ukraine took a clear course towards closer partnership with the West. The gas wars and the territorial dispute involving Tuzla Island that preceded it, further complicated Russia–Ukraine relations. The signing of the Agreement between Ukraine and Russia on the Black Sea Fleet in Ukraine (also known as the Kharkiv Pact or the Kharkiv Accord) under President Viktor Yanukovich was more of a tactical step on the part of Ukraine, whose multifaceted

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<sup>17</sup> The Treaty on Friendship, Cooperation and Partnership between the Russian Federation and Ukraine. URL: <http://docs.cntd.ru/document/1902220>

<sup>18</sup> Ukraine and NATO. A History of Ambivalence // RIA Novosti Ukraine. November 25, 2014. URL: <http://rian.com.ua/analytics/20141125/359971236.html>

foreign political traditions deteriorated under Yanukovych to a policy of outright bargaining.<sup>19</sup>

Ukraine's foreign policy has taken on a strictly pro-Western character since Euromaidan, and it is now facing a plethora of challenges.

First, Ukraine, which is perceived – particularly in the United States – as a geopolitical frontier, is in essence a dependent country whose international subjectivity has been seriously weakened, especially by the fact of its financial dependency. Ukraine mainly plays the anti-Russian card in the international arena, striving to show its importance in deterring Russia instead of acting within a meaningful agenda.<sup>20</sup>

The second important trend is that, despite the fact that many people in Ukraine were expecting a plan for EU membership or visa-free travel, Kiev's European partners have by now made it clear that the first issue is off the table,<sup>21</sup> while the visa-free regime has not been introduced despite the fact that Ukraine has met a significant portion of the very stringent preliminary conditions. One of the recent and most widely cited statements on the topic include the admission by the President of the European Commission Jean-Claude Juncker that Ukraine will not become an EU member within the next 25 years.<sup>22</sup> The Ukraine question has gradually started to fade into the background in terms of European, US and even Russian media coverage. Europe, which faces a number of problems of its own, is growing tired of the topic, especially with regard to speculation about the possibility of Ukraine becoming an EU member.<sup>23</sup>

Third, Kiev is experiencing growing pressure from its European partners on the implementation of the Minsk Agreements. The emergence of the Morel Plan,<sup>24</sup> the Steinmeier Formula,<sup>25</sup> and the unambiguous position of Germany and France on the need to hold elections in Donbass send a clear signal in this respect. Much will depend now on the creation of a roadmap based on the latest meeting of the Normandy Format heads of state in Berlin. But the prospects of a frozen conflict are still very real, and such an outcome cannot suit the European side.

<sup>19</sup> Foreign Policy of the New Independent States: Almanac / Editor-in-Chief B.A. Shmelev. Moscow: Institute of Economics of the Russian Academy of Sciences, 2015. P. 240.

<sup>20</sup> Bondarenko K. Ukraine's European Masochism. URL: <https://www.youtube.com/watch?v=btZxW9zIElg>

<sup>21</sup> Steinmeier Does not See Ukraine in EU, NATO // Comments.ua. November 23, 2014. URL: <http://comments.ua/politics/497205-shtaynmayer-vidit-ukrainu-es-nato.html>

<sup>22</sup> Juncker: Ukraine will not be able to become an EU member for another 25 years or so // Korrespondent.net. March 3, 2016. URL: <http://korrespondent.net/ukraine/politics/3638059-yunker-ukrayna-ne-smozhet-stat-chlenom-es-let-25>

<sup>23</sup> Ukrainian Talk of Membership Irritating EU – Expert // Korrespondent.net. November 24, 2014. URL: <http://korrespondent.net/ukraine/politics/3447659-ukrayna-razdrzhaet-es-razghovoramy-o-chlenstve-ekspert>

<sup>24</sup> Leybin V. The Diplomatic Details and Logic of the Minsk Process // “Expert Online” 2016. URL: <http://expert.ru/2016/10/20/diplomaticheskie-podrobnosti-i-logika-minskogo-protssesa/?ny>

<sup>25</sup> The Steinmeier Formula and Settling the Donbass Issue // RIA Novosti Ukraine. URL: <http://rian.com.ua/analytics/20160128/1004336347.html>

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**Despite all the problems of the Ukrainian political system, the country's parliament was more responsible and professional than it is now, both in terms of its composition and the lobbying rules. This, however, was to a great extent down to the Soviet legacy.**

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One indirect indication of European public opinion on the Ukrainian issue was the Dutch referendum on ratifying the Association Agreement between Ukraine and the European Union.<sup>26</sup> The outcome of the referendum suggests that the image of Ukraine in Europe is not as strong as Kiev would have liked. The referendum also clearly showed that the European people had grown tired of the initiatives and style of Brussels bureaucracy. Despite the fact that Kiev enjoys close political ties with Washington and Europe is limited in its ability to force Kiev implement the political portion of the Minsk Agreements, the very position of Germany, France and a number of other European states has largely changed the perception within Ukraine of its pro-EU vector. It is becoming increasingly clear that this road will be far from easy, and that Ukraine will need to do a lot in order to achieve at least tactical results.

Fourth, Kiev's exclusive orientation towards Brussels is one of the primary downsides of Ukraine's contemporary foreign policy. Kiev justly believes Brussels to be an important partner, capable of both providing financial assistance and facilitating the introduction of visa-free travel. However, in believing so, Ukraine has obviously neglected bilateral contacts; any attempts to engage in such relations have been sporadic and have usually resulted in little success. This comes against the background of growing trend towards re-establishing the primacy of sovereignty, both in Europe and around the world, and the increasing dissatisfaction with Brussels not only on the public level, but also among national political elites. This makes bilateral relations all the more important to Kiev in terms of its interaction with neighbouring countries. Many Ukrainian regions border foreign states, meaning that the country has great transit potential. And its very geography makes it a country of cooperation rather than one of self-containment.

Nevertheless, Ukraine has achieved little systemic success in developing such relations, although certain efforts have indeed been made.<sup>27</sup> Both the individuals in charge of the country's foreign policy and the expert community are gradually coming to realize the necessity, if not of a complete return to a multifaceted approach, then at least of following other vectors in its policies in addition to the Western vector that currently dominates. Ukraine is also starting to understand how important many post-Soviet countries are to the country.<sup>28</sup>

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<sup>26</sup> How Ukraine Lost the Dutch Referendum // BBC. URL: [http://www.bbc.com/russian/international/2016/04/160407\\_netherlands\\_ukraine\\_loss](http://www.bbc.com/russian/international/2016/04/160407_netherlands_ukraine_loss)

<sup>27</sup> Kiev's Attempts to Diversify Foreign Policy is Having Limited Success // Politcom.ru. August 12, 2016. URL: <http://politcom.ru/21404.html>

<sup>28</sup> Voloshin O. Why the Single-Vector Foreign Policy is harmful for Ukraine. URL: <https://www.youtube.com/watch?v=LTC7wb54sfg>

## The Baltic States. Twenty Five Years of the New Independence

*Nikolay Mezhevich*

*Twenty five years is enough time to take stock of the economic, political and ideological transformations that have taken place in the Baltic region. For the Baltic countries, which are and will always be a part of Eastern Europe, the question of modernization must be examined in the appropriate regional context. The transition of Eastern European and Soviet states to a new quality of economic development was based on an accumulation of external and internal development factors. The discussion could and did arise only with regard to the issues of the pace of development, priorities and strategic goals.*

The main economic goal of the transformation was to raise the level and quality of life of the population on the basis of sustainable economic growth. Fulfilling this goal was linked to the following tasks:

1. Overcoming crisis phenomena that had deepened after society's entry into the transitional economy.
2. Forming market relations and a market infrastructure, including stock, currency and commodities markets and deregulation.
3. Financial and economic stabilization through the implementation, as a rule of a tough financial and credit policy with the goal of limiting inflation.
4. Using the state as a mechanism to protect the emerging market economy.
5. Reforming property relations as the basis of the economic system, including property restitution and land reform.

Transformational or transitional economies are a special state of an economic system that function when society experiences a transition from one model (system) to another. At the same time, the main characteristic of a system is the stable interrelations between elements and subsystems, the composition of which may change without causing an imbalance to the system as a whole. A transformational period is a snapshot of time during which society carries out radical economic changes and the country's economy enters a new and qualitatively different state in connection with the cardinal reforms made to the economic system. A transformational economy is characterized by the following main features that distinguish it from other established systems. We believe that the current state of the economy in the Baltic countries is such that we can say the process of the radical economic transformation is complete. (In our opinion. the transformation of the political system was completed significantly earlier; however, this is not the subject of the current paper.)

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**The economies of Central and Eastern European countries is tied up in a cycle of recovery, crisis, stagnation, rollback and new growth.**

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The effectiveness of theories of transformation initially raised certain issues: “There is a serious danger that awaits the researcher of contemporary economic growth, to be carried away with a picture of similar changes that very different cultures with different traditions go through, and to try and build a rigid course of development for all countries.”<sup>1</sup> The theory that the pursuit of reform strategies has made impressive results possible in a number of developing countries and Central and Eastern Europe has been advanced with irrational persistence.<sup>2</sup> The bulwark of liberal theory in Russia, the Carnegie Moscow Center, summed up the results of this: “The economic model of Eastern Europe has always implied that the standard of living there should always be roughly two times lower than that of developed countries. If it is not, then it loses its attractiveness. And if during a cyclical upturn the standard of living increases beyond this level, then it is necessarily followed by crisis, stagnation, rollback and new growth.”<sup>3</sup>

Statistics on the Baltic countries show that Joel Hellman’s theories with regard to the relationship between GDP and large-scale reform do not pan out here.<sup>4</sup> In terms of administrative content and meaning, reform should act upon a system so as not to destroy it and not affect the material wellbeing of the country’s citizens that has accumulated before the decision is made on the necessity of the reform; rather, it should increase this wellbeing even further. The first step was to sell off the Soviet heritage, followed by the use of European funds. But neither had a significant impact on the standard of living of the people in the region, giving obvious advantages to those with the corresponding citizenship, titular nationality and the possibility of obtaining political and administrative income.

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**The level of the state’s participation in Eastern European economies will never allow them to catch up with other countries.**

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The next important question is: How willing are the leading countries to help those which are lagging behind? “In order to break the cycle of poverty, ‘jerk investments’ were required; however, it is usually very difficult to mobilize resources

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<sup>1</sup> Gaydar E.T. Anomalies of Economic Growth // *Voprosy Ekonomiki*. 1996. No. 12. P. 3.

<sup>2</sup> Schneider B.R., Heredia B. *Reinventing Leviathan: The Politics of Administrative Reform in Developing Countries*. North-South Center Press at the University of Miami, 2005 (ed.).

<sup>3</sup> Samorukov M. Legacy of the Soviet Bloc. Why is Eastern Europe Doomed to Live with Half the Wealth of the Germans? // Carnegie Moscow Center. URL: <http://carnegie.ru/commentary/?fa=64958>

<sup>4</sup> Hellman J.S. *Winners Take All* // *World Politics*. 1998. No. 50.

of the necessary size and quality.”<sup>5</sup> There is nothing surprising about this. Why should Finland contribute “jerk investments” to Estonia if, as a result, Estonia becomes a direct competitor? Fortunately for Finland, the theoretical model chosen for Estonia was one that excludes the possibility of competition with anyone except Latvia and Lithuania. In the Baltics, “an increase in the cost of labour... that is not in line with labour productivity is rejected by the supporters of the monetary (‘neoclassical’) schools.”<sup>6</sup> But it is precisely this school that is the only one possible for practicing economists and financial experts in the region. However, this “rule” only applies for countries that have embarked on the path to transformation; there are always exceptions for countries that have traditionally existed in a market economy. An analogous example of incorrect extrapolation is the problem of deindustrialization. We need to make a distinction here between deindustrialization caused by a high technological level of production that has led to a decrease in the total volume of production in a given country from deindustrialization in the Baltic States, which is characterized by the primitivization of technologies and infrastructure, the degradation of entire industries and a drop-off in the quality of social capital.

On the whole, the Norwegian economist Erik Reinert had it right when he said that rich countries became rich thanks to a combination of state interference, protectionism and strategic investments and not as a result of free trade.<sup>7</sup> In other words, Eastern Europe in general and the Baltics in particular will never catch up – they will always be “Eastern.”

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**Fewer experts are predicting economic growth in the Baltic countries. What is more, they will have reduced access to EU funds.**

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Economic forecasts for the Baltic countries always start with promises that their economies will catch up and overtake that of Sweden, and they invariably end in a search for those responsible for this not happening: “In 2014, economic growth was negatively affected by insufficient demand on the part of their northern neighbours. In 2015, the profound economic crisis in Russia had a similar effect.”<sup>8</sup> The International Monetary Fund (IMF) lowered its forecast for Estonia’s economic growth in 2016 to 1.5 per cent. It also lowered its 2016 and 2017 forecasts for

<sup>5</sup> Sukharev O.S. *The Institutional and Structural Factors of Economic Development*. Moscow: Institute of Economics, Russian Academy of Sciences, 2015. P. 10.

<sup>6</sup> Sukharev O.S. *The Institutional and Structural Factors of Economic Development*. Moscow: Institute of Economics, Russian Academy of Sciences, 2015. P. 10.

<sup>7</sup> Reinert, Erik S. *How Rich Countries Got Rich... and Why Poor Countries Stay Poor*. New York: PublicAffairs, 2008.

<sup>8</sup> Economic Growth Failed to Live Up to Expectations. URL: <http://www.seb.ee/ru/forum/ekonomicheskaya-sreda/ekonomicheskij-rost-ne-opraval-ozhidaniy> 12.02.2016

Latvia's GDP growth to 2.5 per cent (from 3.2 per cent) and 3.4 per cent (from 3.6 per cent), respectively; and for Lithuania to 2.6 per cent (from 2.7 per cent) and 3 per cent (from 3.1 per cent), respectively.<sup>9</sup> In its autumn macroeconomic forecast, the European Commission (EC) lowered the expected growth rate of Lithuania's GDP to 2 per cent. The EC's current prognosis for Latvia's GDP is 1.9 per cent (down from the previous forecast of 2.8 per cent), while it has marked down Estonia's expected growth to 1.1 per cent (from 1.9 per cent in the spring).<sup>10</sup>

There is the opinion that "One of the factors that influences negative change in the mood of large enterprises was without a doubt their limited access to EU funds, which affects all three Baltic States. According to forecasts, the situation will change next year and EU funding will flow into the Baltics, thus allowing large enterprises to realize their investment plans."<sup>11</sup> However, the problem lies elsewhere. Social capital, the production capacity of the Baltic States, do not allow for the effective management of funds, which will shrink in size during the European Union's next budget cycle.

The next question concerns the formation and evolution of political systems. Why were the Baltic countries unable to sustain the 13 or 14 years of quasi-democratic regimes that were characteristic of the Baltics 1.0? Rein Müllerson is probably right when he says: "Too many conversations about values and ideas often cloak private interests."<sup>12</sup> The interests of the political elite in Estonia (Latvia and Lithuania), which are fewer in number to the number of people working in the St. Petersburg government, is completely transparent and understandable. The first stage is to set up a political regime that would allow movable and immovable property to be privatized on the basis of discrimination against non-nationals. The second stage is to create a national identity that would allow all mistakes and criminal acts carried out by the government to be attributed to foreign enemies. It should be noted that Müllerson's position cannot be realized in the foreign and domestic policies of Estonia (Latvia and Lithuania).

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**Despite the repeated appeals of Baltic politicians to history and national values, the elites of these countries are quite cosmopolitan.**

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<sup>9</sup> IMF Lowers 2016–2017 GDP Growth Forecasts for the Baltic Countries. URL: <http://ru.investing.com/news/Общие-Новости/МВФ-ухудшил-прогноз-роста-ВВП-стран-Балтии-на-2016-и-2017-годы>. October 04, 2016.

<sup>10</sup> European Commission Lowers GDP Forecasts for Baltic Countries this Year. URL: <http://ru.investing.com/news/Общие-Новости/Еврокомиссия-ухудшила-прогноз-роста-ВВП-стран-Балтии-в-этом-году>. November 09, 2016.

<sup>11</sup> Pavuk O. Large Business in Lithuania and Estonia has Become More Ambitious. URL: [http://www.baltic-course.com/rus/\\_analytics/?doc=125227](http://www.baltic-course.com/rus/_analytics/?doc=125227). November 03, 2016.

<sup>12</sup> Müllerson R. National Interests, Ideology and the Historical Obsession with Foreign Policy // Political Elites in Old and New Democracies. Immanuel Kant Baltic Federal University Publishing, 2012. P. 249.

The resolutely anti-Russian stance that the Baltic countries have adopted fairly consistently over the past 25 years is a major tool used to influence public opinion and structure governmental bodies; it is a major part of political and, more importantly, economic practice. It is no coincidence that the famous Lithuanian poet and Yale University professor Tomas Venclova, a dissident and human rights activist who was banished from the Soviet Union and also a friend of Joseph Brodsky noted: “Just listen to Lithuanian politicians – they’re quite literally fixated on the history of the country. Is this not hypocritical? This fixation is, for the most part, a pack of lies. The only thing that is really important to them is money. And history is exaggerated so that they can get their next piece of the pie.”<sup>13</sup> And this applies to Estonia and Latvia as well. The ruling elite has at its disposal not only its own government, with its full complement of informational and power structures, but also a network of allied globalized elites.

However, classical ethnocracy and ethno-nationality does not exist in the Baltic region. The ethnic elite needs to orient itself towards national values; despite the fact that the Estonian and Latvian elites are deeply cosmopolitan, they call for a “national” set of values for society. In small camp conditions, where “everybody knows everybody else,” this also becomes a component of cultural trauma.

Unlike psychological trauma, which psychologists and psychiatrists have been studying for a long time, cultural trauma became a subject of sociological research at the beginning of the 21st century. And it was even later that the social sciences as a whole embraced the topic. In its most general terms, “cultural trauma is first of all an empirical, scientific concept, suggesting new meaningful and causal relationships between previously unrelated events, structures, perceptions and actions.”<sup>14</sup> We are more concerned with the derivative approach, which is connected to the substitution of a set of cultural values.

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**Three cultural traumas are hindering the development of the Baltic countries: the Soviet annexation of Estonia; the post-Communist transformation; and the uncertain future.**

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Historians are well aware of the specific examples where the sets of values of large social groups and even nations have been distorted. In the 1990s, the failure of the communist model and the collapse of the USSR took attention away from the issue of preserving the cultural identity of large social communities, and for a long time. The Polish sociologist Piotr Sztompka sees cultural trauma as a consequence

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<sup>13</sup> Tomas Venclova: The Fixation of Politicians on History is a Pack of Lies. URL: <http://www.freecity.lv/persona/43/> October 23, 2012.

<sup>14</sup> Alexander, Jeffrey C. *Toward a Theory of Cultural Trauma* // Jeffrey C. Alexander, Ron Eyerman, Bernhard Giesen, Neil J. Smelser and Piotr Sztompka. *Cultural Trauma and Collective Identity*. Berkeley, California: University of California Press, 2004. P. 1.

of the clash of cultural values with the “alien” and hostile environment that has caused the change in social life.<sup>15</sup> The social processes that took place during the period of post-Soviet adaptation fit into this scheme very well. Until around 2000–2004, that is – when the Baltic countries became members of the European Union.

Estonian researcher Aili Aareleid-Tart uses this theoretical concept, both in relation to the social processes associated with Sovietization, and to put forward the question of the trauma of post-Soviet adaptation.<sup>16</sup> Aareleid-Tart applies this concept to the research of two traumas: an old trauma caused by the Soviet annexation of Estonia that forced the people to adapt to the Soviet way of thinking; and a new trauma linked to the period of post-Communist transformation. In our opinion, there are three cultural traumas rather than three. That is, in addition to the two traumas already mentioned, there is another cultural trauma, one that may help explain the social and political processes taking place in the Baltic States. We are talking here about the cultural trauma of an UN certain future. The 2008–2009 economic crisis and the 2015–2016 migration crisis have caused the people in the Baltic region to reinterpret their values. The trauma of the “Soviet periphery” is being transformed into a new trauma, that of the “European periphery.” In the early 1980s, Estonians, Latvians and Lithuanians, despite any anti-Soviet sentiment that may have existed, felt a certain sense of pride in their republic (country).<sup>17</sup> What we are witnessing today is a kind of cultural shock. Trauma. The question inevitably arises as to why we have moved from the avant-garde in the economy to the rear guard. Was it really necessary to segregate Russians only to start welcoming refugees from Africa? Speaking of Russia, Sergei Karaganov writes: “The differences in values have become more pronounced. We, that is, Russia – and we didn’t want to talk about it either – moved towards traditional Europe. A strong state, sovereignty, the nuclear family and traditional sexual orientation, conservative values, everything that we had been removed from for 70 years – religion and Christianity. We moved towards Europe, but by that time Europe had itself moved further away.”<sup>18</sup>

Returning to societies in the Baltic countries, we might be forgiven for asking where they have gone. They have chosen sovereignty, traditional values and, in the case of Lithuania, religion. But the church, which in Lithuania was a symbol of

<sup>15</sup> Sztompka, Piotr. Social Change as Trauma // Sociological Studies. 2001. No. 1. Pp. 6–17; Sztompka, Piotr. Cultural Trauma in Post-Communist Society (Paper Two) // Sociological Studies. 2001. No. 2. Pp. 3–12.

<sup>16</sup> Aareleid-Tart, Aili. The Theory of Cultural Trauma (the Experience of Estonia) // Sociological Studies. 2010. No. 10. Pp. 63–71.

<sup>17</sup> A People’s Prison? Yes, but We’ve Got the Best Cell. There is a similar joke about the Ulan-Ude men’s basketball team, whose players asked for asylum at a police station in Tartu.

<sup>18</sup> Karaganov, Sergei. Part of the Russian Elites are in Prostration, while Others Want Everything to Collapse. URL: <http://globalaffairs.ru/pubcol/Sergei-Karaganov-Chast-rossiiskikh-elit--v-prostratcii-a-chast-khochet-chtoby-vse-rukhnulo-18014/> March 1, 2016.

faith, not only in God, but in the nation itself, is running on empty. There is no sovereignty. There is no stability. And it is unclear what exactly can be considered values and traditions today. Soviet Lithuania was a model to be imitated. Modern Lithuania is *de-facto* a failed state.

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### **Latvia, Lithuania and Estonia need to find ways to overcome their cultural traumas.**

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The road to the European Union and NATO was seen as the only possible route: “If all roads lead to Rome, then it is better to become a part of Rome.”<sup>19</sup> The roads really did lead the Baltic countries to Rome, although it happened shortly before 476 AD. In 2016, it was clear that the “founding states” of the European Union were undoubtedly, as a last resort, ready to resolve their problems at the expense of the periphery.

Baltic society clearly understands this. And there has been a reaction to it. It is no coincidence that Robert Merton identified four adaptations to cultural trauma:

- 1) Innovation – the embracing of new imposed values;
- 2) Retreatism – the emergence of “double standards” and the desire to forget what had come before;
- 3) Rebellion – the opposition to value aggression;
- 4) Flight – internal or external emigration. In the case of Lithuania and Latvia, this would be the most pertinent in Robert Merton’s understanding.

The most characteristic signs of cultural trauma as far as Baltic society is concerned are:

- The high level of accumulated social and economic differentiation in the respective countries.
- The demonstrative rejection of those who do not represent the respective countries, regardless of citizenship, that nevertheless creates a cognitive dissonance within the discourse about European values.
- The degradation of national culture; the inability of the intellectually elite to increase their numbers.<sup>20</sup>

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<sup>19</sup> Leonard, Mark. Connectivity as a Weapon // Russia in Global Affairs. 2016. No. 2. URL: <http://www.globalaffairs.ru/number/Vzaimosvyaz-kak-oruzhie-18024>

<sup>20</sup> There is an unspoken subtext to the departure of Estonian, Latvian and Lithuanian cultural figures during Soviet times. And actor, director, composer and, more importantly, person who could never have reached his full potential in either the Baltics 1.0 or the Baltics 2.0. “The fact that Georg Ots was a Soviet Estonian is bad, but it is thanks to him that 300 million people knew about Estonia. Or in Lithuania: we are talking about the fact that Soviet cinema was terrible. But how should we assess the art of Donatas Banionis, Algimantas Masiulis and Regimantas Adomaitis? Especially those of us who are older than 45, who never moved to Ireland. And this is at a time when there is not a single recognizable new Lithuanian filmmaker.”

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- The achievement of a high level of controllability through social ideas that have been constructed by the elites in order to explain new political and economic phenomena.
- The initially high level of cultural isolationism that characterizes the entire history of the Estonian and Latvian, and to a large extent Lithuanian, peoples.
- The destruction of the national identity in exchange for quasi-statehood.

Some researchers believe that the past displaces the future; that the abundance of traumatic memories of the past impedes the development of a decent future.<sup>21</sup> We believe that the Baltic countries demonstrate signs of this phenomenon. Yet we can see the exact opposite happening too. Something quite unprecedented is taking place in Tallinn, Riga and Vilnius, and that is the deliberate replacement of the past with the future. An analysis of the prospects for the future cannot lead to optimistic conclusions. By the end of this century, there will be no point trying to conquer Lithuania or Estonia. Quite simply, there will be no one left there to conquer. But this is moot, as the economy will fail before then. A realistic understanding of the future of the Baltic countries will force the elites to confront the issue of constructing a past that is necessarily worse than the future. This approach is in line with the model proposed by Neil Smelser, who pointed out the difference between psychological trauma and cultural trauma. According to Smelser, cultural traumas are created, not born. What is more, cultural trauma is, in the words of Smelser, “an invasive and overwhelming event that is believed to undermine or overwhelm and suppress one or several essential ingredients of a culture or the culture as a whole.”<sup>22</sup> However, the theory of a single “essential ingredient” is not the only approach. Any investigation into the Baltic region must make use of the concept proposed by Ron Eyerman: “Cultural traumas are not things, but processes of meaning-making and attribution, a contentious contest in which various individuals and groups struggle to define a situation and to manage and control it.”<sup>23</sup>

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**The Baltic countries have not achieved success in terms of political and economic reform, yet they have succeeded in building up a confrontation with Russia.**

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As Latvian expert Jurgis Liepnieks quite rightly points out: “We are not building a political nation. We do not consider non-Latvian nationals in our

<sup>21</sup> Snyder J. An Introduction to Trauma and Politics: Victimhood, Regret, and Healing // *Amalgam*. September, 2008. No. 2 (1), Pp. 19–20.

<sup>22</sup> Smelser N.J. Psychological Trauma and Cultural Trauma // Jeffrey C. Alexander, Ron Eyerman, Bernhard Giesen, Neil J. Smelser and Piotr Sztompka. *Cultural Trauma and Collective Identity*. Berkeley, California: University of California Press, 2004. P. 38.

<sup>23</sup> Eyerman, Ron. *Social Theory and Trauma* // *Sociological Review*. 2013. Vol. 12, No. 1. P. 125.

country to be the same as us; they are not full-fledged citizens in our land.”<sup>24</sup> But that is only part of the truth. Non-Latvians are not full-fledged citizens *de jure* or *de facto*. But what about Latvians? Lithuanians? Estonians? The overwhelming majority of them are also not full-fledged citizens *de facto* and they understand it. “The powers that be no longer have to pay any attention to the people. The opinion has formed that the end justifies the means. Those in power are making a mockery of the rules of the game of democracy. Power is corrupt. In the name of power, people are prepared to put up with lies.”<sup>25</sup>

For those who choose the path of struggle (rebellion – the opposition to value aggression in the formulation of Robert Merton), power offers recipes that only deepen cultural traumas. On March 3, 2016, practically without debate, the majority of the Latvian Saeima voted in favour of amendments to the Criminal Code in its first reading. New norms will be introduced into the Criminal Code. The leader of the opposition, Jānis Urbanovičs, had the following to say about the amendments: “Without giving it too much thought, the authors of this proposal took the 1926 version of the Criminal Code of the Russian Federation and copied Article 58 almost verbatim.”<sup>26</sup> Could their totalitarianism be better than “occupation”? Probably, yes.

The problem of the Baltic Region of 2016 has nothing to do with Russia. The negative future of the project, as well as its deadlines and forms, are all predetermined by the war being waged by the elites on both the past and the future at the same time and the betrayal of the ethnic minorities who supported the struggle for independence. What is common for everyone is a cultural trauma for everyone else.

Having failed to create attractive economic and political models, the Baltic States have managed to build up a confrontation with Russia. It has been a long and winding road which at a certain point even brought a sense of cautious optimism among Russian experts and a handful of supporters of cooperation between Russia and the Baltic countries.

In an earlier article entitled “Russia–Baltic Relations: From Lost Opportunities to Real Prospects” (St. Petersburg, 2013), we noted the possibility of Russia–Baltic relations taking a course similar to that of Russia–Finland relations. “To put it simply, there are two models of relations between Russia and its neighbours in the eastern part of the Baltics. One model is being carried out with regard to Helsinki and Warsaw, while the other model is manifested in Russia’s relations with the

<sup>24</sup> Liepnieks: Latvians Do Not See Russian-Speakers as Proper Citizens // Vesti.lv. January 24, 2016. URL: <http://vesti.lv/news/liepnieks-latyshi-ne-schitayut-russkoyazychnyh-grazhdan-polnocennymi/>

<sup>25</sup> Over the Past Month, Charter 12 Has Mustered the Support of Just 200 Signatories // DELFI. December 30, 2012. URL: <http://rus.delfi.ee/daily/estonia/hartiya-12-za-poslednij-mesyac-sobrala-v-svoyu-podderzhku-vsego-200-podpisej.d?id=65469076/>

<sup>26</sup> “Consent”: They Want to Turn Latvia into a Police State // Freecity.lv. March 10, 2016. URL: <http://www.freecity.lv/politika/30581/>

Baltic States.” The tone adopted by Tallinn, Riga and Vilnius in their respective dialogues with Russia are wholly inadequate in terms of their economic and political possibilities. At the same time, Europe, which is deploying an anti-Russia policy alongside like the United States, has not demonstrated a willingness to become entangled in an unpredictable military conflict started by the Baltic countries. That is why it is pointless to talk about Russia–Baltic relations following a course similar to that of Russia–Finland relations.

In their attempts to become the drivers of ambitious foreign policy projects, Lithuania, Latvia and Estonia, while acting on the whole within their international legal jurisdiction, are ignoring the numerous regional and local challenges. This neglect is fraught not only with economic and political problems, but also with the gradual destruction of the entire state and social structure.

Baltic studies involves a certain amount of interdisciplinarity. Of course, classical international regional studies is based on the fact that, in any country, history, politics, geography, economics, ethnography and all the above-mentioned components exist in a multi-level interdependent relationship with each other. This is true of any country, including Russia and China. But for Estonia, Latvia and Lithuania, the need for an interdisciplinary approach is felt even more acutely.

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**Despite the fact that many experts agree that Russia could contribute to the integration of the Baltic States into Europe, these expectations have not panned out.**

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Over the past 25 years, the attitude of Russian experts towards the Baltic States has changed dramatically. The idea that the Baltic countries were “special” was nothing new, even for the Soviet authorities – they were the only republics whose independence was officially recognized. On September 11, 1991, the State Council of the Union of Soviet Socialist Republics recognized the independence of the republics of Latvia, Lithuania and Estonia (Bulletin No. 37 of the Congress of People’s Deputies of the Union of Soviet Socialist Republics, Articles 1497–1499, 1991).<sup>27</sup>

From the very beginning, “in domestic expert circles... the prevailing view was that, having broken away from the Soviet Union in 1991, the Baltic States became a model of success and an archipelago of prosperity in the post-Soviet space.”<sup>28</sup> A 1995 report published by the Council on Foreign and Defence Policy, which

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<sup>27</sup> Shinkaretskaya G.N. How the Union of Soviet Socialist Republics Collapsed // The Institute of State and Law of The Russian Academy of Sciences. December 27, 2011. URL: [http://igpran.ru/public/publiconsite/Kak\\_raspadalsya\\_SSSR.pdf](http://igpran.ru/public/publiconsite/Kak_raspadalsya_SSSR.pdf)

<sup>28</sup> Shishelina L. The European Choice of the Baltic States: Preliminary Results // Russia and the New States of Eurasia. 2009. No. 3. Pp. 50–60.

remains an influential body to this day, stated “As the most powerful country in the region, Russia should initiate rapprochement with the Baltic nation and move towards the creation of good neighbourly relations with them in terms of successfully resolving issues of national minorities in these countries and in the event that they do not join military and political blocs.”<sup>29</sup> However, the Council on Foreign and Defence Policy had clearly shifted emphasis in another report published only five years later to the “... unfulfilled hopes of certain circles that Russia would be able to get a loyal ‘Baltic Corridor,’ whose existence would significantly facilitate our country’s integration into Europe.”<sup>30</sup>

Twenty years ago, the Baltic countries proposed a model of development that was paradoxical for such a large country as Russia. However, only ten years ago, experts from the opposition came to a different conclusion: “At least 90 per cent of the haughtiness of the Baltic countries is a bluff.”<sup>31</sup> This is perhaps the only theory offered by Belkovsky with which the author of the present monograph agrees.

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**The leaders of the Baltic countries will continue to use the Russia factor as a kind of “hell” in order to differentiate it from the “paradise” they want to build at home.**

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Thanks to the large-scale efforts of the political elites in the Baltic States, the once exclusively congenial attitude of the Russian people, including experts and diplomats, to the Baltic region has changed. Following Nerijus Sepetis we acknowledge that “... the most influential historians and representatives of the related sciences are very sensitive to any encouragement of ‘ethnocentricity’ on an official level and fully understand the humiliation of being ‘diagnosed’ a lover of all things Baltic.”<sup>32</sup> Could it be any different in conditions where in 2001, future President of the Republic of Estonia Toomas Hendrik Ilves (while still Minister of Foreign Affairs) formulated the country’s policy moving forward: “... nobody in the Estonian Ministry of Foreign Affairs is interested in the experience of neighbouring Russia. They are interested in future relations with the West.”<sup>33</sup> The question is: Should we Russians be interested in the Baltic States? Should we sponsor countries whose anti-Russian sentiments are written into their political doctrines?

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<sup>29</sup> Will We See a Revival of the Union? The Future of the Post-Soviet Space. Report / Council on Foreign and Defence Policy. Moscow, Nezavisimaya Gazeta Publishing House, 1995. P. 32.

<sup>30</sup> The Baltics: A Trans-European Corridor in the 21st Century. Report. Moscow: Council on Foreign and Defence Policy, 2008. P. 28.

<sup>31</sup> Belkovsky S., Karev R. The USSR and the Future of Russia. The Post-Soviet Space: Assembly Instructions // Strategic Journal. 2005. No. 1. P. 4.

<sup>32</sup> Sepetis N. Lithuania’s Missing “National History” // National History in the Post-Soviet Space. Ed. by F. Bomsdorf. Moscow: Friedrich Naumann Foundation, AIRO-XXI, 2009. P. 165.

<sup>33</sup> Sokolov V. Why is Tallinn so Interested in the West? Nezavisimaya Gazeta. Diplomatic Courier. No. 10 (30). June 21, 2001.

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When considering Russia's interests in the Baltic States, one should necessarily pay attention to the evolution of the Concepts of the Foreign Policy of the Russian Federation. The first Concept was adopted in 1993. In the 1993 Concept, a total of one-and-a-half pages were devoted to developing relations with the Baltic countries. The exact same amount of pages were given to relations with the United States! In the 2013, the Baltic countries are not even mentioned. The Baltic Sea is there, but the countries themselves are not. The page has been turned on that particular chapter in Russia's history. There is no mention of the neighbouring Baltic countries, yet Australia is mentioned.

The time when Russia was ready to make the first move and open up a mutually beneficial dialogue, even at the cost of certain concessions, has clearly passed. "It seems to me that in some countries, people cash in on the fears of others with regard to Russia. Some want to play the role of frontline countries that need some kind of additional help: military help, economic help, financial help, or other types of help."<sup>34</sup>

It is worth noting here that a number of researchers, for example V. Smirnov, had raised the question before: Will the perception of Russia as an "irritant factor," an unchanging external aggravator, which was formed over 20 years ago continue to be a priority in domestic politics and international relations for a significant part of the political elite in Lithuania and other Baltic countries?<sup>35</sup> This was a natural question to ask five years ago. Now the answer is obvious: Russia will continue to be an "irritant factor" for the Baltic States for as long as the Baltic States themselves exist. But the Baltic countries cannot exist without Russia, as their "paradise" cannot exist without the "hell" that is Russia. This probably should have been understood earlier.

With regard to the Baltic region, Russia has completed a long period of compromise on principled political and economic positions. The sanctions regime that was thought up by the Americans has nevertheless been supported cautiously in the Baltic countries, has closed the door on the issue of the relationship between economic feasibility and political necessity. For some, trading with the enemy is perfectly normal.<sup>36</sup> For Russia, however, such a path cannot be justified.

<sup>34</sup> Putin V. Interview with the Italian Newspaper *Il Corriere della Sera* // *Kremlin.ru*. June 6, 2015. URL: <http://kremlin.ru/events/president/news/49629>

<sup>35</sup> Smirnov V.A. Formation of the Political Elite in Lithuania at the turn of the 1980–1990s: The Role of "Moral Politicians" // *The Baltic Region*. 2011. No. 11. P. 18.

<sup>36</sup> Higham C. *Trading With the Enemy: An Exposé of the Nazi-American Money Plot, 1933–1949*. New York: Delacorte Press, 1983.

# Continuity and Volatility in Eastern Europe

*Dmitry Ofitserov-Belsky*

*The crisis of liberalism in Central Europe raises the question of the specific historical path of the region's peoples. The revival of traditions in the region attracts criticism in Western Europe, but in the long term a consensus is only possible if it is based on a recognition of the plurality of political standards within the European Union.*

The peoples of Eastern Europe have a relatively long history, although the majority of them have been deprived of statehood for centuries. Even in cases where they have been granted statehood, it took a long time for full independence to be achieved. And some would argue that even this has not been achieved, as the divorce from the socialist camp was followed by movement towards European integration and accession to NATO, which was seen as a return to Europe. Years have passed since these processes began, so it would seem appropriate to revisit the question of how much independence and freedom to choose their own political path the people of Eastern Europe actually have.

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**Western countries are concerned about the growing anti-democratic trends in the region.**

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The positive achievements of Eastern European countries are usually put down to a rare case of successful democratic transition. As a rule, analysts and observers see this process as a course directed exclusively towards democratic progress, with democracy being the final and immutable goal. This logic does not account for the possibility of anti-democratic tendencies. But it is precisely these tendencies that are causing increasing concern among Western countries about the fate of the region's countries. It is extremely difficult to characterize the current development of Eastern Europe using tried-and-tested formulations such as "authoritarianism," "cult of leadership," "liberalism" and "democracy". We are talking specifically here about Poland and Hungary. The governments of these countries are made up of right-wing populists, which does not exactly fit well with the predominant European standard. The similar problems faced by the Baltic countries and certain Balkan states are not directly linked to whether their parliamentary majorities belong to the right or left side of the political spectrum. Fareed Zakaria's concept of "illiberal democracy" is perhaps the most fitting description of the political situation in the region, although it offers nothing in terms of helping us identify its causes.<sup>1</sup>

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<sup>1</sup> For more details see: Zakaria F. *The Future of Freedom: Illiberal Democracy at Home and Abroad*. New York: W. W. Norton & Company, 2003.

## Tradition and modernization in Eastern Europe

De-Sovietization is still a popular concept in Eastern Europe. It is at the forefront of the minds of the members of the Polish government (run by the Law and Justice Party), politicians in the Baltic countries and, to a lesser degree, those of all the other states in the region. Another trend is the increased interest in issues of identity and the specific features of national mentality. It is precisely here where Eastern Europeans see the beginnings of the movements to preserve their culture and restore national independence in the 20th century. Finally, European integration has forced the peoples of Eastern Europe to reassess their place on the continent and see themselves as bearers of true European traditions, which have to a great degree been blurred in the rest of Europe. Thus, the modernization of political institutions and the development of civil society in the European mould in Eastern Europe has been accompanied by a revival of traditions that were formed outside the influence of liberal values at a time when those had not yet come to dominate in Europe. The practical embodiment of this in politics was found in the fact that after achieving “new” independence, emigrants and their descendants started pouring in from the United States and Canada to run the countries (for example, Valdas Adamkus in Lithuania, Vaira Vīķe-Freiberga in Latvia and Toomas Hendrik Ilves in Estonia). Certain parts of society saw them as the bearers of true national traditions, untainted by Sovietization. The national policy of the Baltic countries to “roll back” to the past manifested itself in the division of people living in Latvia and Estonia into “citizens” and “non-citizens,” as well as in the policy of assimilating minorities in Lithuania, which was primarily carried out on Polish nationals.

In Poland and Hungary, the historical tradition gained traction once again in the Catholic Church and the political experience of the interwar period, allusions to which can be increasingly seen in contemporary politics. Jarosław Kaczyński’s position, especially its more informal aspects, are reminiscent of the Józef Piłsudski era – there is no doubt of this among the Polish people. Similarly, the cult of Miklós Horthy has been revived in Hungary, acting as a kind of inspiration for supporters of Viktor Orbán and more radical right wingers. No matter how questionable these reminiscences of the dictatorial past may be, their symbolism serves as a way to overcome the pre-state period of their recent history.

### Historical determinism

The position of Eastern European countries, the specific features of their political culture and the particular qualities of their development are to a large degree determined by earlier historical layers. Unlike other European states that were formed centuries ago, Eastern European countries were always located on the outskirts of empires. These countries have mastered imperial mechanisms of governance, inherited features of political culture and communication and a kind of common regional identity and attachment to the symbolic attributes of statehood. And we should not forget about the role that the Eastern European peoples played

in the economies of former empires. For example, the Czechs were on the political periphery of the Austro-Hungarian Empire, yet the country was its industrial capital. The reverse was true of Hungary. Bulgaria and the Danubian Principalities were rather backward provinces on the outskirts of the Ottoman Empire, while the Polish lands were among the most modernized in the Russian Empire. This largely determined how they saw their place in the region, and defined the rate and means of further socioeconomic development. The era of socialism was only partially able to smooth out the differences and offset certain features inherited from the past.

Following the velvet revolutions, the countries of Eastern Europe chose one and the same model of governance, namely the parliamentary model, with the exception of Poland, which became a presidential-parliamentary republic. On the one hand, this was to a certain extent a kind of borrowing from the Western European form of government. On the other hand, it was a reaction to these countries' socialist past, a manifestation of the desire to avoid the personalization of power and concentrating this power in the hands of the charismatic leaders of the velvet revolutions. Such a turn of events was also avoided thanks to the high level of political competition within the countries and the proportional representation electoral system. As a rule, this kind of system deprived the president of a guaranteed majority in parliament, preventing him from attaining absolute power over the executive branch.

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**An interesting regional phenomenon is the high level of mobility in the political field, combined with the crystallization of the elites.**

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The parliamentary system, coupled with the immature party system, have had interesting results. In the 1990s, the governments of Eastern European countries changed with incredible frequency.<sup>2</sup> The situation in Romania has not changed greatly since then, and the interchangeability of governments has become the norm, a kind of stability in itself. There have been eight prime ministers in the since 2010 alone, although the actual number of times the post has been occupied is greater, as some of these politicians have held it on more than one occasion. The countries within the Austro-Hungarian Empire – Austria, the Czech Republic and Slovakia – have always been rather stable in comparison with their neighbours. There have only been two prime ministers in that same period, and we can say with a certain amount of confidence that the decade has been the Viktor Orbán era. A similar situation can be seen in Poland, where Donald Tusk's Civic Platform held a monopoly on power from the end of the 2000s until very recently.

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<sup>2</sup> Over the course of a decade, the following government upheavals took place: five prime ministers in Hungary; four in Slovakia (in addition to two more in Czechoslovakia before 1993); three in the Czech Republic (not including the two in Czechoslovakia before 1993); nine in Poland; seven in Estonia; six in Latvia; thirteen in Lithuania (including two temporary prime ministers); and eight in Romania.

■ Dmitry Ofitserov-Belsky

An interesting regional phenomenon is the high level of mobility in the political field, combined with the crystallization of the elites. In general, this applies not only to the region in particular, but to the entire post-socialist world in general. The centre of the political systems in Eastern Europe is dominated by the same people who were there in the 1990s. Some of them started their political careers even earlier. The Czech Republic is the only country to have put a stop to this phenomenon.

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**In the initial years following the velvet revolutions, the countries in the region were interested in the prospects on European integration.**

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In Poland, the party system changes with great frequency – new parties appear and disappear all the time. As a rule, political careers in Poland last longer than individual political parties, and the country's leading politicians have already managed to be members of several parties. The key parties within the country – the Law and Justice Party and the Civic Platform – were both established in 2001, while the majority of parties that ran in the 1993 general elections have either disappeared entirely or lost any support they ever had. A similar situation can be witnessed in other countries, where the majority of parties that were relevant in the 1990s have also become defunct (take, for example, the Latvian Way party, the Hungarian Democratic Forum, People's Party – Movement for a Democratic Slovakia, etc.). Some parties have survived, however, and there is often a correlation between the longevity of a particular politician's career and the smooth running of the party. Such is the case with Viktor Orbán, who was one of the founding members of Fidesz way back in 1988.

### The anatomy of confrontation

One of the main problems of Eastern European politics is that internal party mechanisms for recruiting and replenishing the elites are not effective enough. The most successful parties in this regard are the ones that are centred around a charismatic leader, parties such as Fidesz and the Law and Justice Party. And there is nothing paradoxical about this – in speeding vertical mobility within the party and rejuvenating its ranks the leadership manages to eliminate any challengers to its power. However, it would in any case be correct to say that parties as political institutions are underdeveloped in the region. The multi-party political system of Eastern European countries is rather provisional – it is not based on rivalry between several major parties with established ideologies and social bases; rather, it is based on the desire of various influential groups to realize the possibilities of political self-expression.

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**Over the past few years, the role of nationalist parties has started to gain traction in the region's countries.**

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In the initial years following the velvet revolutions, political parties became split along ideological lines – between the successors to the communist elite on the one hand and their opponents on the other. Moving forward, this gradually moved into the field of more traditional socioeconomic discussions. Despite the contradictions, a basis for internal consensus was formed within every country in the region – the prospects for European integration. Satisfying the requirements for accession to the European Union became the thread of consistency amidst the constantly changing administrations. What is more, the prospect of EU membership served as an important factor in marginalizing forces that opposed the system and strengthening the positions of major centrist parties. For society, thoughts about entering the European Union had an “anaesthetic” effect when it came to implementing difficult and often unpopular transformations to the country. It did not take long for the goal to be reached. And the economic crisis dispelled any illusions that the economy would rapidly catch up to that of the rest of Europe and that the European Union would be able to provide an unlimited amount of grants and subsidies, the vast majority of which went to Poland in any case. It was at that time – at the end of the 2000s – that previously centre-right parties such as the Fidesz and the Law and Justice Party started to become more radical and new radical political parties started to appear in parliament (the Jobbik party founded in 2003 managed to win parliamentary representation in 2010). A peculiar phenomenon of the right-left party has emerged, one which can mostly be seen in developing countries.

The elections that took place in the region's countries in 2010–2012 revealed an interesting trend: none of the parties that had pushed for European integration and democratic reforms in the preceding years managed to hold onto power. In Eastern Europe, the perception of liberal and democratic values has significantly worsened, and the role of nationalist parties has become stronger (although this is not strictly a regional trend, as it can be observed throughout the European continent).

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**Pre-election campaigns in Eastern European countries often turn into mudslinging wars and pageants of populist promises.**

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There is an opinion that the idea of a political party as an institution for expressing the will of the people is outdated. The governments of Eastern European countries set out to replicate the obsolete political model of Western European

countries. However, while European parties manage to remain functional thanks to the historical and institutional safety margin (of the parties themselves and of the system as a whole), the situation in new Eastern European democracies and the post-Soviet space is fundamentally different.

Eastern European politicians do not have a high level of credibility at home, and people do not generally vote out of an intrinsic connection with a particular party or policy. Pre-election campaigns often turn into pageants of populist promises and mudslinging wars. The latter in particular is a characteristic feature of regional politics, and there are numerous examples of candidates slinging mud and producing damaging materials not only during pre-election campaigns, but also to force the resignation of incumbent members of parliament and heads of state.

The first case of a president resigning their post as a result of a successful impeachment process – not only in Eastern Europe, but in Europe as a whole – was in Lithuania.<sup>3</sup> In 2004, Rolandas Paksas was removed from his post as President of Lithuania after accusations that he had received foreign funding for his election campaign and leaked state secrets. However, many believe that the real reason for his ousting was the fact that he had clashed with Washington on a number of issues. Subsequently, Paksas was banned for life from holding a parliamentary seat or running for president. Despite the fact that the European Court of Human Rights found the lifetime ban to be illegal, it continues to be enforced in Lithuania to this day.<sup>4</sup>

The tradition of government leaders being forced to leave their posts in connection with damaging information coming to light about their activities took root in Czech democratic culture. Both Mirek Topolánek (2009) and Petr Nečas (2013) resigned as the result of scandals.<sup>5</sup> In 2013, Václav Klaus was forced to resign his post as President of the Czech Republic following a scandal and subsequent impeachment proceedings.<sup>6</sup> The issue of the resignation of the current President Miloš Zeman also crops up from time to time, and his possible impeachment was discussed in the Senate in 2015.<sup>7</sup>

<sup>3</sup> Rolandas Paksas. Leader of the Order and Justice Party // Lenta.ru. URL: <https://lenta.ru/lib/14188449/>

<sup>4</sup> European Court of Human Rights Brings Ex-President of Lithuania back to the Political Arena // REGNUM News Agency. January 6, 2011. URL: <https://regnum.ru/news/polit/1362642.html>

<sup>5</sup> Česko má novou vládu. Klaus jmenoval Fischerův tým // Týden.cz. May 8, 2009. URL: [http://www.tyden.cz/rubriky/domaci/politika/cesko-ma-novou-vladu-klaus-jmenoval-fischeruv-tym\\_118592.html](http://www.tyden.cz/rubriky/domaci/politika/cesko-ma-novou-vladu-klaus-jmenoval-fischeruv-tym_118592.html). Premiér na odchodu. Nečas: Z politiky úplně odejdu // Týden.cz. June 17, 2013. URL: [http://www.tyden.cz/rubriky/domaci/politika/necas-z-politiky-uplne-odejdu\\_273589.html](http://www.tyden.cz/rubriky/domaci/politika/necas-z-politiky-uplne-odejdu_273589.html)

<sup>6</sup> Na shledanou v nové epoše, rozloučil se naposledy prezident Klaus // Novinky.cz. March 7, 2013. URL: <https://www.novinky.cz/domaci/295418-na-shledanou-v-nove-epose-rozloucil-se-naposledy-prezident-klaus.html>

<sup>7</sup> Štráfeldová M. Senátoři projednají petici za odchod prezidenta Zemana // Radio Praha. March 18, 2015. URL: <http://www.radio.cz/cz/rubrika/zpravy/senatori-projednaji-petici-za-odchod-prezidenta-zemana>

Political scandals are a regular occurrence in Poland, although until recently they have never led to a politician resigning his or her post. But that all changed in the run-up to the 2015 elections, when Marshal of the Sejm Radosław Sikorski was forced to resign following leaked conversations that took place at the Sowa & Przyjaciele restaurant.<sup>8</sup> There was even talk of ousting Prime Minister Donald Tusk and the president of the National Bank of Poland.

Romania is also no stranger to political scandals and mudslinging. The issue of impeachment is brought up with regularity, although it never actually leads to anything. Attempts to remove President Traian Băsescu were made in 2007,<sup>9</sup> and again in 2010.<sup>10</sup> However, his possible removal was not nearly as alarming as the speed with which a decision on holding a referendum was taken. President of the European Commission José Manuel Barroso was an outspoken critic of what was going on, questioning the government's commitment to the rule of law.<sup>11</sup>

### Breaking the mould: constitutional reform in an era of crisis

The growing tendency for Eastern European countries to amend their constitutions was another alarm bell for their neighbours across the continent. The most profound changes are being effected, or may be implanted in the near future, in countries that demonstrate the features of a plebiscitary democracy with power centred in the hands of a single leader. We are talking specifically here about Hungary and Poland. In the latter case, the country's semi-authoritarian leader is Jarosław Kaczyński, although he does not hold an official post.

Back in 2010, Poland's Law and Justice Party promulgated a draft constitution that would effectively have made Poland a presidential republic.<sup>12</sup> The idea was to keep Lech Kaczyński in office indefinitely, but Kaczyński died in a car accident shortly after the draft was put forward, so the entire project became meaningless. The main campaign policy of the Law and Justice Party in the run-up to the 2015 elections was a comprehensive revision of the existing Constitution, with party leader Jarosław Kaczyński refusing to rule out the adoption of an entirely new constitutional law.<sup>13</sup> This is unlikely, however, as it has no practical meaning. At the same time the deep reform of the Constitutional Tribunal may be seen as a preparatory stage in the amendment of Poland's constitution.

<sup>8</sup> Radosław Sikorski zrezygnował z funkcji marszałka Sejmu // Wyborcza.pl. June 23, 2015. URL: [http://wyborcza.pl/1,75398,18189831,Radoslaw\\_Sikorski\\_zrezygnowal\\_z\\_funkcji\\_marszalka.html](http://wyborcza.pl/1,75398,18189831,Radoslaw_Sikorski_zrezygnowal_z_funkcji_marszalka.html)

<sup>9</sup> Traian Băsescu. Romanian Statesman. President of Romania (2004–2014) // TASS. URL: <http://tass.ru/encyclopedia/person/B/beseku-trayan>

<sup>10</sup> Ibid.

<sup>11</sup> EU Accuses Romania of Failing to Respect Rule of Law // Euronews. July 18, 2012. URL: <http://www.euronews.com/2012/07/18/eu-accuses-romania-of-failing-to-respect-rule-of-law>

<sup>12</sup> Projekt Prawa i Sprawiedliwości // Konstytucja Rzeczypospolitej Polskiej. URL: [http://www.regiozet.pl/pdf/Konstytucja\\_PiS\\_2010.pdf](http://www.regiozet.pl/pdf/Konstytucja_PiS_2010.pdf)

<sup>13</sup> Kaczyński: Być może nowa konstytucja // Rzeczpospolita. November 18, 2015. URL: <http://www.rp.pl/Polityka/151119209-Kaczynski-Byc-moze-nowa-konstytucja.html>

Before the Law and Justice Party took control in Poland the country with the worst reputation in terms of the development of democracy was Romania. And this was not even down to the obvious propensities towards authoritarianism (observers have not even mentioned this), but rather to the fact that democratic institutions were unable to work effectively. A general regression was observed. The institutions were effectively used as instruments of political rivalry.

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### **Attempts have been made in Romania, Hungary and the Czech Republic to introduce significant amendments to the constitutions.**

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The most diligent attempt to introduce amendments to the Constitution of Romania was undertaken by the government, or, more precisely, the Social Liberal Union.<sup>14</sup> The idea was to adopt constitutional amendments aimed at limiting the powers of the president, reducing the number of MPs to 300 and returning to the party-list voting system to the Parliament of Romania. However, in May 2014, the commission in charge of constitutional change suggested that the referendum on the issue be postponed until late 2015. The government soon resigned and the referendum ultimately never took place.

President of the Czech Republic Miloš Zeman recently spoke about the possibility of constitutional change, suggesting that the Upper House of Parliament (the Senate) be abolished.<sup>15</sup> His reasoning was that the Upper House does not have any practical function and is a superfluous element of the political system, although he may be motivated by other factors, namely that it was the Senate that considered the issue of his impeachment in 2015.

In terms of implementing constitutional reforms, Hungary has gone further than any of its neighbours. The new Basic Law came into effect in 2012.<sup>16</sup> It fixes in law the role of Christianity in the country, states that life begins at the moment of conception and gives a traditional definition of the family. All this caused a flurry of criticism in the West.<sup>17</sup> But it turned out that this was only the beginning. A series of constitutional changes were adopted in the subsequent years. In 2013, amendments were made establishing limits for the media, expanding the powers of the government

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<sup>14</sup> Vasile R., Brainer A. Amendments to the Constitution of Romania // Radio România Internațional. May 2, 2014. URL: [http://www.rri.ro/ru\\_ru/Изменение\\_Конституции\\_Румынии-12728](http://www.rri.ro/ru_ru/Изменение_Конституции_Румынии-12728)

<sup>15</sup> Bílá M. Zeman: Nejsm si jist, zda ČR potrebuje horní komoru parlamentu // Radio Praha. October 18, 2016. URL: <http://www.radio.cz/cz/rubrika/zpravy/zeman-nejsm-si-jist-zda-cr-potrebuje-horni-komoru-parlamentu>

<sup>16</sup> Constitution (Basic Law) of Hungary. April 25, 2011. URL: <http://www.parlament.hu/irom39/02627/02627-0187.pdf>

<sup>17</sup> EU Threatens Legal Action Over Controversial Reforms in Hungary // CNN. January 17, 2012. URL: <http://edition.cnn.com/2012/01/17/world/europe/hungary-eu-ruling/index.html>

and reducing the authority of the Constitutional Court.<sup>18</sup> The Constitutional Court had previously deemed that the draft amendments ran counter to the Basic Law.<sup>19</sup> Meanwhile, the European Union and the United States said the amendments were a threat to the fundamental principles of the system of checks and balances in democracy.<sup>20</sup>

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### **Constitutional changes in the Baltic countries are mostly designed to protect the ethnicity of the people in the region.**

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Not all the amendments adopted or discussed in recent years are designed to change the political system or the operating principles of the institutions. But they have almost always emphatically reflected current trends in the given countries. For example, the Slovak National Council adopted the decision to introduce into the Constitution a definition of marriage as a union exclusively between a man and a woman, which was a fair reflection of the shift throughout the region towards traditionalism.<sup>21</sup> The very same issue was the subject of public discussion in Romania in 2013, although pressure from the United States and the European Union resulted in the corresponding amendment not being made. Three years later, activists collected three million signatures and submitted a petition to the Constitutional Court of Romania, which recognized the demand of the people as entirely constitutional.<sup>22</sup> The corresponding amendment to the Constitution will likely be made soon.

A peculiarity of the constitutional changes made in the Baltic countries is that they are often designed to protect the ethnicity of the people in the region. One example of this is the enshrinement in the Constitution of the Republic Estonia of the importance of the Estonian language as a primary value of the state in 2007.<sup>23</sup> Similarly, amendments were made to the preamble of the Constitution of Latvia in 2014 defining the objectives of the creation of the Latvian state: the guaranteed existence and development of the Latvian nation, culture and language; and the assurance of the freedom and welfare of the Latvian people.<sup>24</sup> Representatives of

<sup>18</sup> Hungarian Parliament Amends Constitution, Despite Criticism for the EU and the US // RIA Novosti. March 12, 2013. URL: <https://ria.ru/world/20130312/926794366.html>

<sup>19</sup> Ibid.

<sup>20</sup> Ibid.

<sup>21</sup> Slovakia Fixes Traditional Marriage in the Constitution // Vesti. June 5, 2014. URL: <http://www.vesti.ru/doc.html?id=1655590&cid=1>

<sup>22</sup> Weatherbe S. Romania's Top Court Approves Initiative to Define Marriage as Between Man and Woman // LifeSiteNews. July 21, 2016. URL: <https://www.lifesitenews.com/news/romania-top-court-approves-marriage-initiative>

<sup>23</sup> Constitution (Basic Law) of the Republic of Estonia. URL: <https://www.juristaitab.ee/ru/zakonodatelstvo/konstituciya-osnovnoy-zakon-estonskoy-respubliki>

<sup>24</sup> President Promulgates Preamble to Constitution // Mixnews. July 8, 2014. URL: [http://www.mixnews.lv/ru/politics/news/154528\\_prezident-provozglasil-preambulu-k-konstitucii/](http://www.mixnews.lv/ru/politics/news/154528_prezident-provozglasil-preambulu-k-konstitucii/)

other peoples living in the country are not included in this concept, as Latvia's identity in the cultural space of Europe is formed, according to the authors of the preamble, exclusively by the Latvian and Lithuanian traditions.<sup>25</sup>

## Sovereign democracy in Eastern Europe

We cannot but recognize that the process of democratizing Eastern Europe was completed long ago. Intensive activity in that direction was observed when the countries in the region were preparing for accession to the European Union; some residual momentum could be seen several years into their membership.

These days, Eastern European countries are more severely criticized by Washington than by European capitals. For example, Victoria Nuland believes that Central and Eastern European states are “whipping up nationalism; restricting free press; [and] demonising civil society” under the guise of NATO and EU membership.<sup>26</sup> The United States has adopted a particularly tough stance on Hungary. In October 2014, six Hungarian officials were banned from entering the United States following accusations of corruption. This is an unusual move with regard to a NATO ally.<sup>27</sup>

These processes have received a mixed reaction from EU countries. On the one hand, they see the complex nature of the growing problems connected with the de-liberalization of the region. On the other, they understand that liberal regimes may not be the best option when it comes to implementing unpopular policies that are unavoidable at a time of economic crisis. At the same time, leaders in Brussels are increasingly forced to deal with sharp opposition from the countries in the region. And the tone of this opposition has been set by politicians who are anything but liberal.

It is important to understand that the anti-liberal tendencies in the region are not the result of the economic crisis, and that the resistance to the policies of Berlin and Brussels is not, contrary to the commonly held belief, a manifestation of Euroscepticism. It would be a mistake to see both as a result of the historical backwardness of the countries in the region in terms of building democracy, or as a return to the authoritarian past. Rather, we are talking about the specific features of a region with deep historical roots. Therefore, in the long term, it looks like the European people will have no choice but to come to terms with their own internal diversity and the fact that they have a range of different political standards.

<sup>25</sup> Constitution of the Republic of Latvia (as amended on July 22, 2014). URL: [https://www.cvk.lv/pub/upload\\_file/2014/Constitution\\_2014.pdf](https://www.cvk.lv/pub/upload_file/2014/Constitution_2014.pdf)

<sup>26</sup> President of Romania Acknowledges U.S. Criticism of Democratic Backsliding as Fair // Moldnews. October 6, 2014. URL: <http://www.moldnews.md/rus/news/70187>

<sup>27</sup> Hungary Accuses U.S. of Domestic Interference after Banning Six of its Officials // Euronews. October 21, 2014. URL: <http://www.euronews.com/2014/10/21/hungary-accuses-us-of-domestic-interference-after-banning-six-of-its-officials>

## Russia's Political Agenda in the Post-Soviet Space

Irina Bolgova

*Russia's current policy in the post-Soviet space is a key part of its global strategy. The positioning of Russia in the international arena and the emergence of new rules for the world order that are seen as a precondition for the stable development of the country depend on the implementation of foreign policy goals in Russia's immediate geographical surroundings. Successful completion of the integration project is thought to be an indispensable condition for creating an independent and self-sufficient centre in the global economy, hence the basis for the emergence of a real, undeclared polycentricity of the global political system.*

The period of turbulence in the former Soviet countries, which peaked with the Ukrainian crisis in 2014, has entered a phase of low intensity in which none of the players is interested in aggravating the situation. They are all aware of the possible consequences of such action; however, all the parties are trying to take advantage of the uncertain environment to maximise benefits. The emergence of the post-Soviet space as a region of open competition among several influential players is now perceived as a given. In this situation, Russia's foreign policy response is to step up efforts to consolidate and synchronize the existing formats of interaction to promote and strengthen its influence in the region.

First and foremost, Moscow still views the Eurasian Economic Union (EAEU) as a club of close political allies which must provide a reliable base for the active foreign policy positions of Russia, even though they are aware of all the weaknesses and limitations of the current stage of Eurasian integration. The Russian financial and economic crisis, which had a negative impact on the economies of neighbouring states led to a significant decrease in mutual trade within the EAEU (down 25 per cent in 2015, with further drops in the early months of 2016).<sup>1</sup> The possibilities for Russia to subsidize integration partners directly or indirectly are shrinking, which prompts greater independence of the partner states within multilateral formats in the post-Soviet space and encourages them to pursue their own agendas. Thus, Belarus uses its significance for Russia's foreign policy as a

<sup>1</sup> The Results of Mutual Trade within the Eurasian Economic Union. January–December 2015. Analytical Memorandum // Eurasian Economic Commission. February 25, 2016. URL: [http://www.eurasiancommission.org/ru/act/integr\\_i\\_makroec/dep\\_stat/tradestat/analytics/Documents/Analytics\\_I\\_201512.pdf](http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/tradestat/analytics/Documents/Analytics_I_201512.pdf); Results of Mutual Trade within the Eurasian Economic Union. January–August 2016. Analytical Memorandum // Eurasian Economic Commission. October 25, 2016. URL: [http://www.eurasiancommission.org/ru/act/integr\\_i\\_makroec/dep\\_stat/tradestat/analytics/Documents/Analytics\\_I\\_201609.pdf](http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/tradestat/analytics/Documents/Analytics_I_201609.pdf)

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trump card when seeking financial support for its national economy and the political regime; Yerevan uses its importance for Russian foreign policy in terms of new economic initiatives and maintaining a military-political balance to blackmail Moscow; Kazakhstan is strengthening its leading positions in the EAEU and is showing greater initiative in interacting with the Central Asian region and China.

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**In order to increase its influence in the region, Russia attempts to consolidate and synchronize existing cooperation models.**

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Under these conditions, Russia seeks to become the leader of the multi-level processes of political and economic interaction in Eurasia, partly to increase production and consumer markets, which should give a new impetus to integration. Thus, at the Shanghai Cooperation Organisation (SCO) Summit held in Tashkent in June 2016, Russia attempted to put the SCO format in the framework of cooperation within the Eurasian Union and the initiative to combine the EAEU and the Chinese Silk Road Economic Belt (SREB). Vladimir Putin invited those SCO countries that are not involved in the Eurasian Economic Union but which want to speed up the construction of the transport infrastructure in their countries to join the Russia–China project to combine the EAEU and the Silk Road Economic Belt. “The inclusion of all the SCO members in this integration process, along with the Commonwealth of Independent States (CIS), could become a prologue to the formation of greater Eurasian partnership,” Vladimir Putin said. The President’s proposal highlights Russia’s wish to be at the helm of the process to create a common economic space “from Lisbon to Vladivostok” and to synchronize the maximum possible number of multilateral projects on its own terms.

### CIS: a new lease on life

The fact that the Commonwealth of Independent States is mentioned in this context indicates the intention to preserve and use that structure, which many people considered to be politically outdated. The results of the recent CIS summits show that post-Soviet states are increasingly interested in preserving the CIS format and investing it with new substance. Global political and economic conditions diminish the chances of relying on players outside the region and fuel interest in the search for resources to preserve political stability and drivers of economic growth within the post-Soviet space. In this context, the role of Russia is extremely important and continues to grow.

A separate topic of discussion in the CIS format in recent years has been the need for the organization to be more active in the security sphere, while the leaders of CIS states recalled the goals and mechanisms of collective security formulated at

the inception of the CIS process. The CIS includes the greatest number of member states, has a special status with the United Nations and extensive experience of the conflict in Tajikistan in the 1990s. In that respect, Russia remains a key player in regional security matters. Developing the security agenda in the CIS format attests to the fact that Moscow is trying to bring in all the multilateral cooperation formats that exist in the post-Soviet space in order to have greater room for manoeuvre in the event that things turn nasty.

### Regional security: old problems in new conditions

The issue of military-political security in Russia's foreign policy in the post-Soviet space makes up an agenda in its own right. The conflict between Armenia and Azerbaijan poses the greatest destructive potential, not only because it has been more severe over the past two years than at any time in the past, but also because it creates additional animosities between partner states in multilateral formats (the EAEU and the Collective Security Treaty Organization, CSTO). Russia's desire to remain an active mediator in the conflict was complicated by visible tensions between Kazakhstan and Armenia, and by the independent position taken by Belarus. New proposals were made in 2016 for a diplomatic solution, but they failed to produce the desired results. Nevertheless, Moscow's position was backed by the main players outside the region, notably France and the United States. Surprisingly, the main antagonist in the proceedings for Russia turned out to be Armenia, which tried to force Russia into taking a clear pro-Armenian position in the conflict. Yerevan is unhappy about military-technical cooperation between Moscow and Baku and the lack of consensus on the Nagorno-Karabakh conflict within the CSTO and the EAEU

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**Russia's policy in the post-Soviet space has received almost no support from the global community.**

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The process of change that is happening with regard to the political elites in the post-Soviet authoritarian regimes has the potential to destabilize the situation. The death of the President of Uzbekistan Islam Karimov, who did not name a successor, has raised questions about the future positioning of the country and its place on Russia's foreign policy agenda: the threat of growing radical Islamism and the possible return of Uzbekistan to the CSTO; the prospects of the country joining the EAEU; and a change of terms for Russian businesses operating in Uzbekistan. Seeing how the transition of power is completed in Uzbekistan can be considered a model for the analysis of similar changes and their consequences in other countries in the region, above all in Tajikistan and Kazakhstan, where the internal political systems are similar to that of Uzbekistan.

## Multilateral formats: fresh efforts

Summing up, it can be said that Russia's policy in the post-Soviet space depends directly on its global goals, and this in turn is in many ways dependent on the international situation. In designing its global agenda, Russia will have to deal with a number of new (or the worsening of existing) trends in multilateral relations in its immediate surroundings.

The EAEU has never been an intimate circle of like-minded parties for Russia. The member countries have refused to support Moscow on international issues that have been of great importance for Russia. On the contrary, they have sought to derive political dividends and economic benefits from the weakening of Russia's influence and the worsening of its relations with Western partners. The relative decline of Russia's influence within the organization, partly due to the increased membership, threatens to increase differences on how it should develop among the founder states and make the organization less effective overall.

Realizing this, Russia has given other multilateral organizations greater priority in its foreign policy agenda: it has intensified the discussion on the revival of the broad CIS format and has been paying more attention to the enlarged SCO. Moscow continues to view the SCO rather as an image prop in its relations with the United States and Europe that enables it to reaffirm its status as a global power. Therefore, in the course of discussions within that organization, it seeks moral support for its initiatives in regions that it deems more important. First of all, Russia's foreign policy has to demonstrate that it has the support of influential allies and stress its commitment to strengthening the global influence of the SCO. In all these multilateral formats, Russia's foreign policy efforts are aimed at lowering tensions between the member countries – in the first place by shifting sensitive issues from the multilateral agenda to the level of bilateral relations and attempting to solve them through “micro-management” as these relations become more difficult.

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### **EAEU members play on the deterioration of relations between Russia and the West.**

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Bilateral relations with the majority of the post-Soviet states are determined by the fact that the key value for their elites is the stability of their regimes. Russia thus remains the main foreign policy beacon for them. An increasingly pragmatic approach is being taken towards bilateral economic relations, and the intention to put an end to unlimited subsidizing exists, especially if it does not produce immediate political results. At the same time, Russia is facing the problem of the “domino effect” taking hold in crisis regions, notably in the South Caucasus.

On the whole, Russia has to pursue its foreign policy in the context of a very fragile balance – a balance to which all the post-Soviet states seek to adhere, because a dramatic change of foreign policy orientation is fraught with serious potential crises. A kind of equilibrium has been established between the key players outside the region who have tacitly determined “red lines” and principles of interaction. The context of relations with the West remains persistently negative, despite the occasional rapprochement. Now, the main source of intrigue is relations with China: Russian foreign policy tries to enlist Beijing’s support on the key issues of the global agenda, while at the same time preventing it from significantly spreading its presence in the post-Soviet space. Considering the dramatic imbalance of the financial and economic potential of the two countries, it remains uncertain how effectively and painlessly Russia will be able to use its diminished resources to achieve the main political and economic goals of its foreign policy in the post-Soviet space.

## Integration Competition in the Post-Soviet Space

Vyacheslav Sutyurin

*After the collapse of the USSR, the post-Soviet space turned from a single state – albeit one that consisted of many parts – into a patchwork quilt of diverse, often conflicting trends. Russia, the European Union and China are undoubtedly the key players with which the systemically important state structures of the post-Soviet countries maintain links. In recent years, the European Union has attempted to make inroads into the post-Soviet space, but has failed to gain a decisive influence in this territory, a task that the multiple internal crises within the Union make even more difficult in the foreseeable future.*

None of the players, including Russia and China, wield sufficient influence to be able to determine the main development trends of individual post-Soviet countries, not to mention the region as a whole. China is becoming the biggest investor and trading partner of several Central Asian countries and is gradually consolidating its political presence in Eastern Europe. Economic, infrastructural, migration and military links with Russia are critical for maintaining stability in the region. However, neither player is ready to control the trends within the countries in the region, be it Central Asia or Eastern Europe. The most salient examples are the deindustrialization of Ukraine and the spread of extremist religious ideologies in Central Asia. Political, economic and ideological instruments for overcoming these trends are lacking today, and they are unlikely to appear in the medium term.

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**Neither China nor Russia is capable of determining the future of the countries in the region. The region is split up into several sub-regions dominated by different players and different historical trends.**

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One of the key obstacles here is the generally uncertain political guarantees for investments into rebuilding the countries in the region, as well as the lack of a clear idea as to what the model for carrying out such a reconstruction should be. As a result, the complicated geometry of external links and points of influence can hardly be described as a system. Rather, we are looking at transnational networks and conglomerates that external players form in the post-Soviet space. For example, networks of educational institutions, links among civil society groups (especially those committed to “democratization”), political clientele, etc.

Nevertheless, on basic issues, the post-Soviet part of the world is driven more by the internal logic of development (and decline), while remaining relatively remote from the global centres of capital accumulation and maritime trade routes.

In fact, the region today is split up into several sub-regions dominated by different players and different historical trends, and there is still no single force that would bring these fragmented parts to a common denominator.

### Players and strategies in the region

After the collapse of the USSR, a vacuum emerged in the region that foreign players rushed to fill, but they have so far been unable to do so. Russia still plays the key systemic role; it is the political, economic and humanitarian nucleus of the region. There are signs that the United States, the European Union, China, Turkey, Iran and the Gulf states are increasing their presence there, while Japan and South Korea are becoming more active – although they can hardly be seen as leading players.

The key interest of the United States is to prevent the proliferation of nuclear weapons and ensure privileged access for the West to the oil resources in the Caspian Sea region. More recently, the United States was confronted with the imperative of preventing the emergence of a new “hegemon” in Eurasia capable of challenging its dominance in the region.

Already by the mid-1990s, it had become clear that Washington was not interested in creating a common security system in Europe that included Russia. The idea of making the Organization for Security and Co-operation in Europe (OSCE) the kingpin in the European security system was cast aside. The OSCE was reduced to a patently marginal role compared to NATO in ensuring European security after a decision was made to expand the organization eastward as early as the mid-1990s. At the same time, greater emphasis was put on the democratization of the countries in the region, a trend which took the form of “colour revolutions” in the 2000s. This accelerated the deterioration of relations between Russia and the West and sharpened competition for influence in the post-Soviet space.

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### **China and the United States are interested in developing transport links in the region.**

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After the start of the military operation in Afghanistan, the United States began to show greater interest in Central Asia. The phased withdrawal of US forces from the country led to gradual curtailment of US military and technical assistance to Central Asian countries. In 2011, the United States Department of State announced its interest in the development of a New Silk Road designed to link Central and South Asian countries. This would thus give the United States greater influence on the situation in the region, as well as on energy supply routes and transport corridors between China and the other countries.

As China’s economic muscle grew, the country increasingly followed so-called “chequebook diplomacy”, thus building up its trade and investments in Central

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Asia. Traditionally, Beijing prefers bilateral relations with the countries in the region. However, multilateral formats have also been emerging of late. The instruments for such interaction are the China–Eastern Europe 16+1 investment forum, the Asian Infrastructure Investment Bank and the Silk Road Fund. In recent years, Beijing has increasingly been viewing the region not only as a “soft underbelly” (which is true of Central Asia), but as the space for international transport corridors leading to Western markets.

Turkey’s interests in the post-Soviet space include expanding its cultural and humanitarian influence, gaining access to resources, and bolstering its strategic position, notably in the Black Sea. Traditionally, Turkey seeks to increase its influence on the Caspian Sea region. As a result, the country has established close ties with Azerbaijan and Kazakhstan and strengthened its presence in other Central Asian countries.

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**Russia’s foreign policy course has shifted away from the obvious focus on European integration and towards the search for new development paths with countries in the post-Soviet space.**

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Ankara’s links with Astana enabled Nursultan Nazarbayev to act as an intermediary in the talks between Moscow and Ankara in 2016.<sup>1</sup> The influence of the Persian Gulf monarchies in the Caucasus has declined since the 1990s (though it is still tangible), but has increased in Central Asian states. One instrument for strengthening the Gulf countries’ ties with the region is the Organisation of Islamic Cooperation (OIC), which includes all the Central Asian countries.

By the mid-2000s, there were signs that Russia’s priorities in the region were changing, as Moscow’s commitment to Euro-integration was complemented by the logic of reintegrating the post-Soviet space. At the same time, Moscow remains committed to the course for reducing the number of intermediaries in trade with the West that was initiated in the mid-1990s, creating a new infrastructure of transport corridors that bypass its neighbours. Significant progress has been made on this issue: ports and new gas pipelines have been built on the Baltic and Black seas, which has allowed gas shipment via Ukraine to be curtailed and reduced the dependence on transit via the Baltic States.

The interests of the European Union in the region in many ways overlap with those of the United States: it seeks access to the Caspian energy resources and the democratization of East European countries, which would allow it to spread its influence and break into new markets. The European Union has also shown an interest in the configuration of transport corridors, mainly with regard to energy, including via the Southern Caucasus (Central Asia Regional Economic Cooperation, CAREC; and the Nabucco-West pipeline). At the same time, the key European

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<sup>1</sup> For details see URL: <http://www.interfax.ru/world/516453>

Union countries have not relinquished their ambition to form a “European superpower” that could interact with the United States as an equal partner, which may not necessarily please Washington. Likewise, the United States is not interested in the European Union and Russia drawing too close together, which would diminish Washington’s influence in Europe. Although this is an extremely unlikely scenario in the foreseeable future, the very existence, in theory, of a “plan B” will influence Washington’s policy in Eastern Europe and in the post-Soviet space.

### The CIS and the Eurasian project

The only integration structure that unites practically all the post-Soviet countries is the CIS. However, crisis spots remain in all the sub-regions of the post-Soviet space: in Central Asia, the South Caucasus and Eastern Europe. In all these crises, the interests of at least two CIS members are involved.

Despite the traditional and largely justified criticism of this regional association as being “loose” and “ineffectual,” the CIS does incorporate functioning mechanisms, notably in the military sphere (the regional air defines system) and trade (the CIS Free Trade Area), not to mention its role as a constant platform for dialogue whose significance is not to be underestimated considering the obvious shortage of communication between the CIS countries.

The termination of the Free Trade Area agreement between Russia and Ukraine as a result of the Ukraine–European Union Association Agreement coming into effect has caused billions of dollars in damages.<sup>2</sup> According to the Government of Ukraine, the curtailment of trade with Russia has cost the country \$98 billion over the past four years.<sup>3</sup> Of course, this figure requires closer scrutiny, but it nevertheless illustrates the importance of preserving free trade in the region.

The past ten years have seen both centrifugal and centripetal trends within the CIS. It is significant that the initiative to create two of the more stable and effective associations in the post-Soviet space – the Union State of Russia and Belarus and the Eurasian Economic Union (EAEU) – came not from Moscow, but from Minsk and Astana, respectively.

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### **The EAEU and CSTO are the most important factors that contribute to integration processes in the post-Soviet space.**

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The establishment of the Eurasian Customs Union (EACU) by three CIS members – Russia, Kazakhstan and Belarus – has given a boost to mutual trade. By the time the EAEU was created on the basis of the EACU, the main economic effect of removing customs barriers had already been exhausted. The EAEU was

<sup>2</sup> For details see URL: <http://vz.ru/news/2015/12/30/786872.html>

<sup>3</sup> For details see URL: <http://www.vedomosti.ru/economics/news/2016/04/19/638317-ukraina-otsenila>

created at a time of economic and political turmoil in the region. And despite powerful destructive factors (the Ukrainian crisis, the “sanctions war,” the fall in global energy prices), it did not fall apart, which attests to the real interest of the union’s members. We are talking about the creation of a single energy market, expanding export markets, unifying laws and signing agreements with third countries and associations.

The Collective Security Treaty Organization (CSTO) is an inalienable part of Eurasian integration. For all its flexibility and infighting (for example, between Armenia, Belarus and Kazakhstan against the background of the flare-up of the simmering conflict in Nagorno-Karabakh in the spring of 2016), the organization offers military safeguards to its member states and a mechanism for reacting to the terrorist threat.<sup>4</sup> Regional military groups have been created by Russia and Belarus, and by Russia and Armenia, the joint air defence system is developing and joint military exercises are held on a regular basis. In recent years, the CSTO has created the Collective Rapid Reaction Force and the Crisis Response Centre, and plans are in place to create a joint CSTO air group.

### Rival integration structures

As for integration movements, the main players in the post-Soviet space today are the EU–NATO, EAEU–CSTO and Shanghai Cooperation Organisation (SCO) structures. Unlike the first two players, the SCO is not currently concerned with the creation of a common space of standards and military safeguards. Other multilateral structures do not envisage integration of countries and are primarily concerned with sub-regional political dialogue and humanitarian and economic cooperation.

The GUAM Organization for Democracy and Economic Development formed in the early 2000s (by Georgia, Ukraine, Azerbaijan and Moldova, hence the name GUAM; Uzbekistan joined later, but then withdrew) also claimed the status of a significant integration group. Behind the declared goals of promoting democracy and economic cooperation there were more tangible motivations: namely, disappointment with Russia’s position on territorial disputes inside the member countries; the desire to secure gas delivery from the Caspian Sea region to Europe bypassing Russia; and rapprochement with the United States.

By the mid-2000s, the organization had set up a limited free trade zone, a parliamentary assembly, business councils and a system of commissions and was contemplating the creation of a peace-keeping force. All this enabled GUAM to claim the role of “an alternative to the CIS”. However, the organization failed to implement a single major economic project; the political regimes and interests of its members were substantially different and Kiev’s openly anti-Russian rhetoric in the wake of its “colour revolution” put the other GUAM members on their guard. As a

<sup>4</sup> For details see URL: <http://tass.ru/info/768355>

result, despite strong support from the United States, the organization failed to deliver tangible results and ceased to claim the status of an influential player in the post-Soviet space. Today, GUAM is something of a club which may be used to shore up the image of its members, but it is not perceived as an independent entity in regional politics.

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**The “integration of integrations” between the EAEU and the European Union has experienced difficulties in connection with the Ukrainian crisis. Now these projects have become political rivals.**

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Having admitted some former members of the Warsaw Treaty Organization, the European Union and NATO proceeded to strengthen their influence in the former Soviet republics. By the mid-2000s, the Baltic States had joined the Euro-Atlantic structures. Next in line were Georgia and Ukraine, where pro-Western governments had come to power. Shortly after the Georgia conflict in 2008, the European Union launched its Eastern Neighbourhood Policy aimed at bringing six post-Soviet republics into the EU single market and space of standards.

Initially, the leaders of the EAEU countries came out for the “integration of integrations” with the European Union, but today that agenda has lost its relevance and exists mainly at the level of rhetoric. The creation of the EAEU, which, despite representing the highest existing degree of integration in the post-Soviet space in the shape of the Customs Union, is still a long way away from becoming an economic union, has nevertheless piqued the West’s interest in certain countries in the region. The West as a whole saw the project as a rival and a potential threat to its own interests. For its part, Russia saw the continuing attempts to expand NATO and spread the influence of the European Union up to the Russian border not just as competition, but as a direct and real threat to its security.

The European and Eurasian unions are de facto alternative projects and political rivals. At the technical and economic levels, these structures cannot yet be compared in terms of the depth of integration and institutional development. However, the numerous challenges confronting both structures strengthen their perception of each other as rivals. The Eurasian Economic Commission (EEC) has constantly stressed its readiness to cooperate with the European Union, but the European Commission ignores these proposals at the official level.

In implementing the Eastern Neighbourhood Policy, the European Union has pulled out of talks on the format of interaction with Russia in the post-Soviet space. As a result, the internal contradictions that had piled up in Ukraine over the course of many years triggered the worst international crisis in Europe since the end of the Cold War. These events have created an atmosphere of suspicion in the post-Soviet space. Expansion of the Euro-Atlantic and Eurasian projects in Eastern Europe is practically impossible under current conditions because it is fraught with the

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escalation of the international crisis and the newly sharpened conflicts. In effect, the Eastern Neighbourhood Policy is already split into countries that have signed an Association Agreement with the European Union (Ukraine, Moldova and Georgia) and those that have not.<sup>5</sup> Public opinion in Georgia, Ukraine and especially Moldova is divided on the issue of the vector of integration, which heightens the risk of civil strife within these countries.

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**The main arena in which integration projects will continue to compete is Eastern Europe.**

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In addition to the conflict surrounding Ukraine, another blow was dealt to the Eastern Neighbourhood Policy by the official EU statement that “there is no prospect of any participant becoming a member [of the European Union].”<sup>6</sup> At the same time, financing of the Eastern Neighbourhood Policy will continue until at least 2017. In 2014 alone the European Union paid about 1.3 billion euros to develop cooperation with the Eastern Neighbourhood countries.<sup>7</sup>

The European Union is trying to adapt the Eastern Neighbourhood Policy to the new realities of the crisis, effectively admitting that the rapid expansion of the European Union and the efforts to force Ukraine to choose between the European Union and Russia were mistakes. This much was publicly admitted by Angela Merkel and Jean-Claude Juncker.<sup>8</sup> The European Union also said that it was ready to recognize the possible coexistence of different integration vectors in the Eastern Neighbourhood countries. At the same time, the West still takes an uncompromising stance on the issue of political values and reforms when dealing with the post-Soviet countries, as witnessed by its policy with regard to Belarus.

The European Neighbourhood Policy, which includes the Eastern and Euro-Mediterranean partnerships, has officially been declared the main foreign policy priority of the European Union.<sup>9</sup> Thus, Brussels cannot afford to dial down the eastern vector of its policy without damaging its image.

In short, Eastern Europe has already become an arena of overt integration competition, and it will be very hard to overcome this inertia, given that confidence between the parties has been undermined and the logic of a zero-sum game has prevailed. Therefore, the recent victories of new leaders in the presidential elections

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<sup>5</sup> For details see URL: <http://tass.ru/mezhdunarodnaya-panorama/1283638>

<sup>6</sup> For details see URL: <http://112.ua/politika/strany-vostochnogo-partnerstva-ne-gotovy-k-predostavleniyu-perspektivy-chlenstva-v-es-ukraine-yunker-230913.html>

<sup>7</sup> For details see URL: [http://ec.europa.eu/enlargement/neighbourhood/pdf/riga/2015.2163\\_final-eastern-partnership-results-2014.pdf](http://ec.europa.eu/enlargement/neighbourhood/pdf/riga/2015.2163_final-eastern-partnership-results-2014.pdf)

<sup>8</sup> For details see URL: <http://tass.ru/mezhdunarodnaya-panorama/1042031>

<sup>9</sup> European Neighbourhood Policy (ENP) // European Union External Action. URL: [http://eeas.europa.eu/enp/index\\_en.htm](http://eeas.europa.eu/enp/index_en.htm)

in Bulgaria and Moldova are viewed by the media as victories of pro-Russian candidates, although there is still scant evidence to support these claims.<sup>10</sup>

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**The further expansion of the SCO through the accession of India and Pakistan could create new risks, while at the same time offering new opportunities.**

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Crisis developments in Eastern Europe tend to enhance the political role of the SCO in the Eurasian region. Formed as a forum for resolving border issues, the SCO has evolved into a permanent union for tackling security issues, although it is not prepared to cross the line of mutual military guarantees in the foreseeable future. Its focus is on political dialogue and on countering security threats to the region. Until recently, the economic dimension of the SCO's activities had not been actively developed. In addition to the secretariat and meetings of the heads of state and government, the organization has set up a regional counter-terrorist structure headquartered in Tashkent. At the same time, the SCO is often unjustifiably criticized for not having enough concrete projects.

The presidents of Kazakhstan and Russia have already indicated their readiness to form a continental economic partnership that includes the EAEU, the SCO and possibly the Association of Southeast Asian Nations (ASEAN).<sup>11</sup> At the same time, the admission of India and Pakistan to the SCO may substantially change the atmosphere inside the organization and create the risk that it could be watered down by conflicting interests. Having said that, it is a promising step from the economic point of view considering that the SCO leaders want to overcome the economic and geographical divisions in the Eurasian space.

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**Instead of assuming full responsibility for individual post-Soviet states, major players will increase their influence in the region and then share it with other actors.**

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Today, Russia and China are taking steps to coordinate their policies in the Eurasian space, seeking to avoid increased competition in the region. Pressure from Washington on both countries, which has increased in recent years, is bolstering movement in that direction. All the EAEU countries have shown an interest in integrating China's Silk Road Economic Belt project.<sup>12</sup> But there is still a risk of

<sup>10</sup> For details see URL: <http://ru.euronews.com/2016/11/07/opposition-socialist-wins-bulgaria-s-presidential-first-round>

<sup>11</sup> For details see URL: <http://vz.ru/politics/2016/6/17/816620.html>

<sup>12</sup> Prospects for Russian-Chinese Cooperation in Central Asia. RIAC Working Paper No.28 // Russian International Affairs Council. URL: <http://russiancouncil.ru/common/upload/WP-Russia-China-CentralAsia-28.pdf>

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Moscow and Beijing clashing in Central Asia. The lack of effective movement towards integration will almost definitely result in a rollback, given the growing suspicions and tensions in present-day international relations.

### Looking to the future

Paradoxically, none of the players is eager to take on the entire burden of responsibility for the state of affairs in the post-Soviet space. Major players prefer sectoral or selective interaction with the countries in the region. Given the recent trend towards a slowdown in financial and economic globalization, the post-Soviet space may become desperately short of investments. China has been increasingly judicious of late with regard to foreign investments. The United States is curtailing aid to Central Asia. The European Union is unwilling to admit new members and is wrestling with internal crises. Russia concentrates its resources on internal development projects. These trends may well continue in the medium term.

However, the slowdown of financial flows into the region does not mean that external players have lost interest. Turkey, Iran and China will step up their activities in the post-Soviet space in the medium term. The interests of these countries do not always coincide, especially if one looks at the policies of the European Union and the United States, whose involvement in the region's affairs has waxed and waned over time.

In this connection, it is important for Moscow to assess its potential correctly and make more effective use of the resources in the post-Soviet space. Russia's rejection of the policy to reintegrate the region, ostensibly because several countries within it have not completed the nation-building process, could lead to a split in the region, and the various parts may join different groups. At the end of the day, this could exacerbate contradictions and aggravate frozen conflicts in the post-Soviet space. However, an effective policy of stabilization and economic development can hardly be devised if it is focused solely on the post-Soviet state. The future of the post-Soviet space and the outcome of the competition of integration structures depend in many ways on Russia's ability to forge stable relations with the main players that wield real influence in the Eurasian region.

# The Armed Forces of Post-Soviet States

Alexander Yermakov

*The process of the breakup of the USSR into independent states naturally aggravated tensions between the newly formed countries. Unfortunately, political and economic disputes sometimes erupted into armed conflicts. Most of them resembled civil wars and inter-ethnic confrontations – wounds that take a long time to heal. To this day, a number of conflicts in the region have been merely frozen and not resolved. New hotbeds of tension have appeared, notably the civil war in Ukraine, as well as the Baltic Region, which is rapidly militarizing in the face of aggravated confrontation between Russia and NATO.<sup>1</sup>*

## The Baltic Region

### Latvia

The modern Latvian National Armed Forces can trace their origin to the National Guard, or Zemessardze, which was established under the law of 23 August 1991. This was followed by the creation of a regular army. The armed forces of the three Baltic republics are engaged in a number of joint military programmes, including the joint peacekeeping Baltic Battalion (BALTBAT) stationed in Latvia. Latvia joined NATO in 2004.

Universal military conscription was abolished in 2007, but the current sharpening of the confrontation between Russia and NATO has triggered discussions on whether it should be brought back.

The Latvian National Armed Forces took part in the military operations in Afghanistan and Iraq, sending small contingents as part of the coalition forces. Latvian military instructors are involved in training the Iraqi army during the current international coalition campaign against the Islamic State. Latvian military personnel also make up part of the EU contingent in Mali and are involved in the Organization for Security and Co-operation in Europe (OSCE) missions in Kosovo and Ukraine.

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**The main tasks of the naval and air forces of the Baltic countries are to protect sea borders and carry out airspace surveillance.**

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<sup>1</sup> In the light of the above, a brief supplement on the state of the armed forces in the CIS would be a useful addition to existing analytical materials. This review draws on publicly available sources, primarily the Military Balance Report of the International Institute of Strategic Studies (IISS).

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The Latvian National Armed Forces are made up of 5310 soldiers on active duty and 7850 reservists, including:

The Army – 1250; the Navy – 550; the Air Force – 310; Zemessardze – 600; reservists – 7850; other (logistical services, military police, special forces that are considered a separate arm of the special services, etc.) – 2600.

The only combat unit in the Latvian Army is a light infantry brigade consisting of two infantry battalions. The United Kingdom is providing the brigade with second-hand Combat Vehicle Reconnaissance (Tracked) – or CVR(T) – combat vehicles, which raises the level of mechanization and provides the army with armoured vehicles, even if they are outdated. Officially, the army has three T-55 tanks, but they are not combat capable and are used to train infantry in anti-tank combat.

The main tasks of the navies in all three Baltic countries are to protect the marine border and hunt and disarm mines, including those remaining since the Second World War, for which purpose they have minesweepers and patrol boats. The navies of the Baltic countries are part of the joint Baltic Naval Squadron (BALTRON) programme.

The main objectives of the Air Force are to monitor airspace, ensure tactical air defence using Man-portable air-defence systems (MANPADS) and sub-calibre air defence artillery, and maintain ground-based infrastructure for the air component of its NATO allies.

### Lithuania

The Republic of Lithuania was the first country in the region to set about creating its armed forces. It did this in 1990, with the first call-up to the regular armed forces taking place as early as 1992. Lithuania joined NATO in 2004. It hosts the main NATO air base, “Baltic Air Policing” and the Baltic Air Surveillance Network (BALNET) inter-Baltic airspace monitoring centre. The Lithuanian Armed Forces are the most powerful of the three countries in the region and are equipped with modern military hardware, unlike the other Baltic countries.

Lithuania has a conscription system. It was cancelled in 2008, but restored in 2016, when relations between Russia and NATO took a turn for the worse. The mandatory term of service in the Army is nine months.

The Lithuanian Armed Forces took part in the military operations in Afghanistan and Iraq, sending small contingents as part of the coalition forces. There are plans to send military instructors to Iraq in 2017 to train the Iraqi troops engaged in the war against the Islamic State. Lithuanian peacekeepers and observers are deployed as part of the EU contingent in Mali and are involved in the OSCE missions in Kosovo and Ukraine.

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**Lithuania was the first country in the region to start the process of establishing its armed forces.**

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The Lithuanian Armed Forces are made up of 11,550 soldiers on active duty and 9650 reservists, including:

The Army – 6000 + 4800 active reserve personnel; the Navy – 650; the Air Force – 1100; land protection voluntary forces (similar to the National Guard) – 4850 in active reserve; other – 6800.

The core of the Army is the Mechanized Infantry Brigade “Iron Wolf,” which consists of four infantry and one artillery battalions. Modern German hardware – Boxer armoured fighting vehicles and Panzerhaubitze 2000 (PzH 2000) self-propelled gun mounts – are being procured to replace the outdated M113 armoured personnel carriers and towed artillery. The discarded hardware will be used by the Zemaitija 2nd Infantry Brigade, to which conscription has been renewed.

The main objectives of the navies of the three Baltic countries are to protect the marine border and hunt and disarm mines, including those remaining from the Second World War, for which purpose they have minesweepers and patrol boats. The navies of the Baltic countries are part of the joint BALTRON programme.

The main objectives of the Air Force are to monitor airspace, ensure tactical air defence using Man-portable air-defence systems (MANPADS) and sub-calibre air defence artillery, and maintain ground-based infrastructure for the air component of its NATO allies. The latter task is particularly important because the Lithuanian air base at Siauliai is pivotal for the NATO mission to patrol Baltic airspace.

### **Estonia**

The Republic of Estonia began forming its army in 1991. The Armed Forces of the three Baltic Republics are engaged in a number of joint military programmes. The headquarters of the BALTRON naval mission are located in Estonia, as is the Baltic Defence College. Estonia joined NATO in 2004.

Military conscription in Estonia is for 8 or 11 months, depending on the military specialization.

The Estonian Defence Forces took part in the military operations in Afghanistan and Iraq, sending small contingents as part of the coalition forces. Estonian military instructors are involved in training the Iraqi Army during the current international coalition campaign against the Islamic State. In addition, Estonian soldiers are deployed as part of the EU contingent in Mali, UN missions in the Middle East and Lebanon, the NATO mission in Kosovo and the OSCE mission in Ukraine.

The Estonian Defence Forces are made up of 5750 soldiers in active service, and up to 42,000 reservists, including:

The Army – 5300 (including 2500 conscripts); the Navy – 200; the Air Force – 250; the Estonian Defence League (similar to the National Guard) – 12,000 in active reserve and about 30,000 reservists who have served as conscripts.

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**The Estonian Defence Forces have taken part in several military conflicts and peacekeeping missions.**

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The land forces of the Estonian Army comprise two infantry brigades, though the second one is engaged in auxiliary, mainly training, activities. The 1st infantry brigade has Finnish wheeled XA-180 APCs and track armoured vehicles of the CV90 family have been bought from Holland and Norway.

The main objectives of the navies of the three Baltic countries are to protect the marine border and hunt and disarm mines, including those remaining from the Second World War, for which purpose they have minesweepers and patrol boats. The navies of the Baltic countries are part of the joint BALTRON programme headquartered in Estonia.

The main objectives of the Air Force are to monitor airspace, ensure tactical air defence using Man-portable air-defence systems (MANPADS) and sub-calibre air defence artillery, and maintain ground-based infrastructure for the air component of its NATO allies. The Ämari Air Base in Estonia has been actively used since 2014 as part of NATO's air patrolling of the Baltic.

## Eastern Europe

### Belarus

The Armed Forces of the Republic of Belarus began to take shape in 1991 on the basis of the Belorussian Military District of the Soviet Army. In late 1993, Belarus joined the Collective Security Treaty. It also has a special relationship with Russia as part of the Union State of Russia and Belarus, including in the security sphere. A small air group of the Russian Aerospace Forces consisting of fighter planes is based in Belarus on a rotational basis, helping the Belarusian Air Force ensure the country's air defence. Russia and Belarus have an agreement on the joint protection of the external border of the Union State in the air and a joint air defence system.

Belarus still has some operating Soviet-era military-industrial enterprises, which enables it to not only maintain its own military hardware, but also export its products, notably wheel chassis and tank gun sights, in the first place to Russia. In late 2003, the State Military Industrial Committee was formed to optimize the management of the military-industrial complex.

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**The Ground Forces of the Republic of Belarus have 500 main tanks and 1000 infantry fighting vehicles. Minsk purchases combat aircraft from Russia.**

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Belarus has a system of universal military conscription for periods between 6 and 18 months, depending on the conscript's level of education.

The Armed Forces of Belarus have not been engaged in combat operations. Belarussian soldiers were deployed as part of the UN peacekeeping mission in Lebanon and the OSCE mission in Ukraine.

The Armed Forces of Belarus are made up of 48,000 soldiers in active service and 289,500 in reserve, including:

The Army 16,500; the Air Force and Air Defence Forces – 15,000; Special Operations Forces – 6000; other central command forces – 10,500; reservists – 289,500, which is made up of former conscripts.

The main strike force of the Ground Forces of the Republic of Belarus is made up of four mechanized brigades. Despite its relatively small size, the Armed Forces of Belarus has a large quantity of armoured vehicles: main battle tanks and infantry fighting vehicles number 500 and 1000, respectively. Most of the armoured vehicles are in storage during peacetime. Other armaments include Tochka and Elbrus tactical missiles and Smerch heavy multiple launch rocket systems (MLRS). The country is in the process of purchasing heavy Polonez MLRSs that are being developed jointly with China.

The Air Force and Air Defence Forces of the Republic of Belarus are intended above all for the purposes of air defence, but they can also be used to support ground forces. The main combat planes are 24 MiG-29 fighter planes and 12 Su-25 fighter bombers. The planes have been modernized on a limited scale at local enterprises. Until the end of 2012, the Su-27 was the best fighter in the Belarussian Air Force, but they have been withdrawn from active service because of the high maintenance cost. The old training planes will be replaced by Yak-130 planes purchased from Russia. The ground component of air defence is represented by numerous missiles, including S-300s supplied by Russia under a barter scheme.

### **Moldova**

The Armed Forces of the Republic of Moldova were formed in 1991, partly in response to the military conflict with the breakaway Pridnestrovian Moldavian Republic (Transnistria). The conflict is currently frozen. Under its Constitution, Moldova declares a neutral status and is not planning to join military blocs; however, joint military exercises with NATO countries have been more frequent in recent years.

Moldova has military conscription for 12 months.

The Moldovan Armed Forces took part in the war against the unrecognized Transnistria, which reached its peak in terms of fighting in 1992. The conflict was defused largely due to the intervention of the Russian Armed Forces. Since that time, peacekeeping forces comprising observers from the OSCE and Ukraine, as well as servicemen from Moldova and Russia, including a small operational group

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of Russian troops, have been deployed in Transnistria. In addition, Moldovan servicemen are deployed as part of the UN peacekeeping mission in Africa, Ukraine and the NATO mission contingent in Kosovo.

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**Moldova established its Armed Forces in response to the conflict in Transnistria.**

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The Armed Forces of the Republic of Moldova is made up of 5350 soldiers in active service and 58,000 in reserve, including:

The Army – 3250 (including 1950 conscripts); the Air Force – 800 (including 250 conscripts); other auxiliary forces – 1300; reservists – 58,000, made up of conscripts who have completed their military service.

Moldova's ground forces comprise three light infantry brigades. It is notable that they use BMD-1 armoured personnel carriers inherited from the Soviet Airborne Troops. A large proportion of the military personnel, including those who have completed six months of conscription service, serve with the peacekeeping forces on a rotational basis.

The Moldovan Air Force is designed to ensure the defence of the country's airspace and provide transport. Accordingly, it has a small number of Soviet-made transport planes and one regiment armed with anti-aircraft S-125 missiles.

### Ukraine

The Armed Forces of Ukraine were established in August 1991 on the basis of the USSR Armed Forces stationed on the territory of the Ukrainian Soviet Socialist Republic. Because of the high strategic value of the region for the Soviet Union, Ukraine had a large amount of military hardware and an extensive military infrastructure, most of which was turned over to Ukraine. However, disputes with Russia dragged on for several years on a number of issues, most notably on the division of the Black Sea Fleet and the fleet of strategic bombers. After the division of the military hardware, the Armed Forces of Ukraine became one of the largest in Europe on a number of parameters (for example, its air fleet and armoured vehicles); however, by now the bulk of that hardware has been sold or become unfit for combat use.

Ukraine is not a member of any military blocs, but its current political leadership is committed to rapprochement with NATO and seeks to join the European Union which also sticks to the principle of mutual defence. Ukrainian servicemen take part in NATO military exercises and are trained inside the country by NATO instructors.

When the Soviet Union collapsed, many defence industry enterprises were concentrated in Ukraine. The country was second only to Russia in that regard. Since then, many of these enterprises have been shut down for economic reasons,

but Ukraine is still capable of manufacturing equipment for its ground forces and to service its air fleet. There is potential for restoring expertise in shipbuilding and missile construction, but that requires major financial injections and a consistent development strategy. Ukraine exports military hardware, both repaired Soviet hardware and hardware produced by domestic companies. Armoured vehicles are the leading export item. Ukraine is engaged in a number of innovative international programmes, most notably the development of the An-132D transport aircraft and the Grom tactical ballistic missile with Saudi financial assistance.

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**Ukraine has the manufacturing capacity to fulfil its requirements with regards to military equipment. The Ukrainian Ground Forces are the country's main Armed Force, both in terms of numbers and importance.**

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Ukraine has military conscription for periods between 12 and 18 months depending on the conscript's level of education.

The Armed Forces of Ukraine took part in the military operations in Afghanistan and Iraq, sending small contingents as part of the coalition forces. In addition, Ukrainian servicemen are deployed with the UN peacekeeping missions in several African countries, Cyprus and with the NATO mission in Kosovo.

Since 2014 the Armed Forces of Ukraine have been engaged in a conflict in the Donetsk and Lugansk regions with the unrecognized Donetsk and Lugansk People's Republics. Officially, the conflict is interpreted as a Counterterrorist Operation.

The strength of the Armed Forces of Ukraine is hard to assess because it constantly changes as a result of frequent mobilizations and demobilizations of reserve personnel. However, according to Military Balance 2016, the Armed Forces of Ukraine is made up of the following:

- 204,000 in active service and up to 900,000 in reserve, including:

- The Army – 153,000; high-mobility airborne troops – 8000; the Navy – 6000; the Air Force – 45,000; and about 900,000 reservists.

In addition, Ukraine has a 52,000-strong National Guard and a number of paramilitary organizations, the size of which is difficult to assess.

The Ukrainian Ground Forces are the main force, both in terms of numbers and importance. Many units took part in military actions in the southeast of the country. The main strike force consists of two armoured and ten motorized brigades, primarily made in the Soviet Union. It has about 800 main battle tanks, mostly T-64s, the maintenance and modernization of which is facilitated by the fact that the tank was originally built at the Kharkiv Locomotive Factory. More than 1300 tanks are in storage and provide the main source used for replenishing its effective combat strength, as the manufacture of new vehicles is going slowly. The conflict in South-Eastern Ukraine involved the active use of artillery, ranging from towed artillery to heavy MLRS. As a result, Ukrainian artillery personnel have

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considerable combat experience. Instructors from the United States Army and other NATO countries take an active part in training the Armed Forces of Ukraine.

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**At the time of its creation, the Ukrainian Air Force was the second largest air force in Europe, behind only Russia.**

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The Ukrainian Naval Force was formed after the Black Sea Fleet of the Soviet Union was divided between Ukraine and Russia, a process that lasted until 1997. Most of the assets it received are not combat ready due to underfunding. After Ukraine lost its main naval base at Sevastopol, what remained of the Navy had to move to Odessa. At present, the Navy is only capable of carrying out patrol duty in the coastal zone. The only combat ready ship is the *Hetman Sahaydachniy* frigate (a patrol ship built during Soviet times under Project 11351). A Project 58250 corvette has been under construction since 2011, but it is unclear when it will be handed over to the Navy.

The Ukrainian Air Force was also made up air units from the Soviet Air Forces that were deployed in Ukraine at the time that the country declared independence. At the time, the Air Force was the second largest in Europe, second only to the Russian Air Force. Subsequently, some aircraft were sold, and most of the remaining aircraft have become unserviceable due to underfinancing. At the start of the Ukrainian crisis, the Air Force had no more than a hundred planes capable of combat. The Air Force was not used extensively in the conflict in the South-Eastern Ukraine; it was used actively only at the initial stage but not later, because of the unjustifiably high losses. Measures are currently being taken to restore repairable aircraft and extend the lifespan of existing planes because, given the high price of modern aircraft and the priority given to financing the ground forces, this is the only way to preserve the country's Air Force.

## The South Caucasus

### Azerbaijan

The Azerbaijani Armed Forces were established in 1993–1994 on the basis of voluntary units made up of ethnic groupings that took part in the Nagorno-Karabakh conflict against similar units from Armenia before the disintegration of the USSR. The unrecognized Nagorno-Karabakh Republic was created on the predominantly Armenian-populated territory claimed by Azerbaijan. A ceasefire agreement was signed in 1994, but the conflict has not been resolved to this day and there are periodic clashes, the biggest of which happened in April 2016.

Azerbaijan was a signatory to the Collective Security Treaty in 1993, but refused to extend its membership in 1999 and pulled out of the Treaty before the formation of CSTO.

The conflict between Azerbaijan and the Nagorno-Karabakh Republic is one of the most dangerous in the post-Soviet space, as continuing militarization and the intransigence of the parties could lead to further clashes. What is more, if the Nagorno-Karabakh Republic finds itself on the brink of a major military defeat, this may trigger a full-scale war between Azerbaijan and Armenia.

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### **Azerbaijan buys a significant portion of its arms from Russia, Israel and Turkey.**

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Azerbaijan actively purchases modern weaponry from abroad, a process that has intensified with the growth of oil revenues. Traditionally, Azerbaijan's main partner in the military-technical sphere is Russia, which has supplied, among other hardware, modern T-90S tanks, BMP-3 infantry fighting vehicles, Msta-S and Vena self-propelled artillery complexes, and Solntsepek Heavy Flamethrower Systems. However, because the country seeks to steer a middle course between Azerbaijan and Armenia, it has stepped up cooperation in recent years with other countries, notably China, Turkey, and Israel.

Azerbaijan has military conscription, with the term of service lasting between 12 and 18 months depending on the conscript's level of education.

Azerbaijani servicemen are deployed as part of the international coalition in Afghanistan and took part in the peacekeeping mission in Kosovo.

The Azerbaijani Armed Forces are made up of 66,950 soldiers in active service, and up to 300,000 in reserve, including:

The Army – 56,850; the Air Force – 7900; the Navy – 2200; and 300,000 reservists who have completed their national military service.

The ground forces form the core of the Azerbaijani Armed Forces. They comprise five Army corps consisting of 25 motorized infantry brigades and auxiliary units. The Army is highly mechanized and has a large stock of armour: more than 400 main battle tanks (about a hundred obsolete T-55s are mothballed). As for artillery, Azerbaijan seeks to compensate for the fact that it is far behind Armenia in terms of tactical missiles (it only has obsolete Tochka-U's) with its large number of MLRSs, including large-calibre Russian (Smerch), Turkish (Kasirga) and Israeli (Lynx) missiles.

The primary task of the Azerbaijani Air and Air Defence Force is to ensure the country's air defence and directly support ground troops. It has a large number of modern anti-aircraft rockets, including Russian-made S-300PMU2, and it purchases other anti-aircraft rockets from Israel. Because the potential enemy is also well-equipped in terms of air defence weapons, jet aviation plays an auxiliary role, consisting of a squadron of MiG-29 fighters and a joint strike squadron (mainly Su-25 fighter bombers). The support for aircraft is provided by Mi-24

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helicopters that have been upgraded by South Africa and Ukraine. Azerbaijan actively purchases unmanned aerial vehicles (UAVs), especially for reconnaissance and target indicating.

The Azerbaijan Navy is based on its part of the Caspian Flotilla, which was divided between Russia, Azerbaijan, Kazakhstan, and Turkmenistan. It is meant above all to patrol the Caspian coast and protect the country's economic interests. It consists mainly of cutters.

### Armenia

The Armed Forces of the Republic of Armenia were officially formed in 1992 on the basis of the voluntary units that took part in the ethnic conflict with Azerbaijan using the equipment of the 7th Army of the USSR. The Armed Forces still have close links with the Nagorno-Karabakh Republic self-defence units. Although Armenia does not recognize the Nagorno-Karabakh Republic, it has a very strong internal political commitment to ensure its security. In the event that a major conflict which could threaten the existence of the Nagorno-Karabakh Republic breaks out, there is a high probability of a war between Azerbaijan and Armenia.

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### Russian-made Iskander missiles are used exclusively by Armenia.

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Armenia has been an active member of the CSTO since the organization was formed. The 102nd Russian Military Base is stationed in Gyumri in Armenia. It is the largest permanent Russian military facility abroad, and comprises a group of S-300 air defence missiles, MiG-29 fighter planes and armoured vehicles.

Armenia does not have the necessary financial and production resources to maintain and renew its armed forces. In addition to the direct Russian military presence, the balance is maintained by the large quantity of S-300 anti-aircraft missiles supplied by Russia, as well as by tactical missiles (for example, the Soviet-made Elbrus and the latest Iskander missiles). Armenia is the only country to have received these missiles from Russia.

Armenia has military conscription with the service period of two years.

Armenian servicemen are deployed with the international coalition in Afghanistan, the peacekeeping mission in Kosovo, the UN missions in Mali and Lebanon and the OSCE mission in Ukraine.

The Armed Forces of the Republic of Armenia are made up of 44,800 soldiers in active service and up to 210,000 in reserve, including:

The Army – 41,850 (including 18,950 are conscripts); the Air and Air Defence Forces 2950; and up to 210,000 reservists who have completed their military service.

The Armenian Army forms the basis of the Armed Forces. It comprises five motorized Army corps based on motorized infantry regiments, three of which have a tank battalion each. It has about 100 T-72 tanks. It should be noted that a large

number of Armenia's armoured vehicles are being used by the Armed Forces of the Nagorno-Karabakh Republic; some estimates suggest more than 200 tanks are currently being used in this capacity. In addition to Elbrus and Iskander tactical missiles, the Armenian Army has a small number of heavy Russian- (Smerch) and Chinese-made (AR1A, WM-80) MLRSs capable of striking strategic targets in the enemy rear.

The primary task of the Armenian Air Force is to protect the country's air space. It has five S-300 anti-aircraft missile battalions, which is a lot for a country with of Armenia's size. Combat aviation is represented by a squadron of Su-25 fighter bombers.

### Georgia

The Georgian Armed Forces were formed on the basis of the National Guard, which was established in 1990. Like the armies of a number of post-Soviet states, military development proceeded against the background of interethnic conflicts and civil strife – in Georgia's case, the wars with Abkhazia and South Ossetia, and the civil war between the supporters of Zviad Gamsakhurdia on the one hand and Eduard Shevardnadze on the other. The active phases of these conflicts were over by 1993, but the conflicts with the breakaway national republics – which successfully defended their territories – have been frozen.

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### **The Georgian Armed Forces are primarily utilized as an instrument of integration with NATO and the European Union.**

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Georgia was a signatory to the Collective Security Treaty in 1993, but it refused to extend its membership in 1999 and left before the CSTO was formed. Russian military bases were deployed in Georgia between 1995 and 2007, largely to guarantee stability and prevent the conflicts from flaring up again. However, after the revolution in 2003, Georgia made a dramatic pivot towards the West and embarked on a path of militarization, seeking to restore its territorial integrity by force. One such attempt was made in 2008, which led to a direct military confrontation with Russia. The consequences were particularly dire for Georgia: as a result, Russia did not just recognize Abkhazia and South Ossetia, but signed alliances with them so that today the Armed Forces of the Russian Federation ensure the security of both republics and Georgia has no hope of resolving the issue by force. Another consequence of the conflict was that the Georgian Navy was disbanded after suffering heavy material losses.

In terms of replenishing its weaponry, Georgia purchases equipment from abroad (mainly from Eastern Europe, Turkey, and Israel) and is actively trying to build up a national defence industry, which it is doing practically from scratch as a result of economic disarray. At present, it has more or less launched the production of light armoured vehicles.

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Conscription existed until recently in Georgia (for a period of 12 months), but it was abolished in the summer of 2016.

Georgian servicemen are deployed with the international coalition forces in Afghanistan, the EU peacekeeping missions in the Central African Republic and Mali, and the OSCE missions in Kosovo and Ukraine.

The Georgian Armed Forces are made up of 20,650 soldiers in active service, including:

The Army – 17,750; the Air Force – 1300; and the National Guard – 1600.

The Georgian Ground Forces are the only armed service in operation after the Navy was disbanded in 2009 and Air Force was integrated into the Ground Forces in 2010. However, many believe that Georgia has restored its military potential to its 2008 level. The Army is in many ways used as a political instrument of integration with NATO and the European Union, which accounts for its active participation in peacekeeping missions and joint exercises. The Army has about 100 T-72 tanks and a significant number of diverse light armoured vehicles, some of which are produced in Georgia.

The Georgian Air Force is an auxiliary armed service whose objective is to ensure the country's air defence and support the ground troops. It has one Su-25 fighter bomber squadron and a small number of helicopters. Soviet-made anti-aircraft rockets are used for air defence.

## Central Asia

### Kazakhstan

The formation of the Armed Forces of the Republic of Kazakhstan began in 1992 on the basis of the troops of the Turkestan Military District, specifically the 40th Army. It has been an active member of the Collective Security Treaty since 1992. Kazakhstan plays a key role in forming the CSTO's Collective Rapid Reaction Force along with Russia.

Kazakhstan is the only country in the region that buys modern weapons, including equipment for the air component. In modernizing its Army, the country seeks to build its own military industry by organizing production under licenses or taking part in joint projects. In addition to Russia, Kazakhstan cooperates actively with such countries as Israel and South Africa.

Kazakhstan has universal military conscription (which lasts 12 months).

Kazakhstan servicemen are deployed with the UN peacekeeping mission in Western Sahara and Cote d'Ivoire.

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**Kazakhstan plays a key role in forming the CSTO's Collective Rapid Reaction Force along with Russia.**

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The Armed Forces of the Republic of Kazakhstan are made up of 39,000 soldiers in active service, including:

The Army – 20,000; the Air Force – 12,000; the Navy – 3000.

The main strike force of Kazakhstan's ground troops is a single tank and three motorized brigades. The ground forces have a large number of armoured vehicles, most of which are upgraded models produced during Soviet times (about 300 T-72s, 500 BMP-2s). However, the country is also developing new weapons, many of which will be manufactured domestically.

The Kazakh Air and Air Defence Forces are the best in the post-Soviet space after Russia. Kazakhstan is the only country that purchases sophisticated and expensive technology. One such example is modern multipurpose fighter planes – the country chose to procure Russian Su-30SM aircraft, similar to the ones purchased by the Russian Aerospace Forces. Kazakhstan is also the only country besides Russia to use MiG-31 interceptors. The Air and Air Defence Forces have about 100 combat jet planes. Kazakhstan pilots regularly take part in exercises, including those held jointly with Russia.

Kazakhstan's Naval Forces patrol the coastal strip and protect the economic interests of the Republic in the Caspian Sea. It consists of a small number of patrol boats.

### Kyrgyzstan

The Armed Forces of the Republic of Kyrgyzstan were created in 1992 on the basis of the Soviet Army units, specifically the 17th Army Corps, which were deployed there at the time of independence. Kyrgyzstan took part in the joint defence of the Tajikistan border. In 1999–2000, the Republic was attacked by militants from the Islamic Movement of Uzbekistan. Kyrgyzstan became a signatory to the Collective Security Treaty in 1992. The country hosts the Russian Kant Air Base. Between 2001 and 2014, the Manas Air Base was used by the United States Air Force to support the campaign in Afghanistan.

Kyrgyzstan has military conscription with a term of 12 months.

Kyrgyz servicemen are deployed with the UN peacekeeping missions in Sudan and Lebanon, and the OSCE missions in Serbia, Moldova, and Ukraine.

The Armed Forces of the Republic of Kyrgyzstan are made up of 10,900 soldiers in active service, including:

The Army – 8500; the Air Force – 2400.

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### **Kyrgyzstan actively purchases modern weapons and equipment from Russia and other countries.**

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The nucleus of Kyrgyzstan's ground forces is the 8th Guards Rezhitskaya Motorized Rifle Division Named after Hero of the Soviet Union Major General Ivan Vasilyevich Panfilov. Kyrgyzstan has 150 T-72 tanks and about 300 armoured

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personnel carriers; however, it is unclear how much of this hardware is combat ready. Special mention should be made of the 25th Special Force Brigade Scorpion, which is an elite commando unit. Unlike the rest of the Army, which is chronically underfunded, the 25th Special Force Brigade Scorpion is formed exclusively of contract personnel and uses the latest Russian and Western weapons and equipment.

The mission of the Air Defence Forces of Kyrgyzstan is to ensure air defence and carry out transport missions in mountainous terrain. It has a small number of transport planes and helicopters. Air defence is represented by obsolete S-75, S-125 and Krug anti-aircraft missiles, the combat readiness of which is unclear.

### Tajikistan

The Armed Forces of the Republic of Tajikistan were not officially formed until 1994. This was due to the dire situation in the country: civil war and attacks by militants from Afghanistan, combined with the fact that some Soviet Army units had not been given over to Tajikistan. The border with Afghanistan was guarded mainly by foreign forces, primarily by the Border Service of the Federal Security Service of the Russian Federation. After central power was established, the country set out to create a disciplined and well-trained Army. In late 2004, protection of the border was handed over to the local forces; however, Russian military advisors continue to assist the Tajik side. Tajikistan became a signatory to the Collective Security Treaty in 1992. The country hosts the 201st Military Base of the Armed Forces of the Russian Federation and the Okno (Window) space surveillance station of the Russian Aerospace Forces.

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### **Russia will likely deliver its decommissioned military hardware to Tajikistan.**

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Tajikistan is under constant threat from rebel groups from Afghanistan. In the event that the situation worsens, it will again become the target of a large-scale invasion. In that case, it is very likely that contingents of the CSTO countries, primarily the Ground Forces and the Border Service of the Federal Security Service of the Russian Federation, will be involved to help keep the enemy away from the border.

Tajikistan has universal military conscription for a term of 12 or 24 months depending on the conscript's level of education.

The Armed Forces of the Republic of Tajikistan are made up of 8800 soldiers in active service, including:

The Army – 7300; the Air Force – 1500.

Plans were announced in 2016 to increase the size of the Army to 20,000 people.

Tajikistan's ground forces are primarily represented by three motorized infantry brigades. Because the country did not receive equipment manufactured for the Soviet Army, it is rather short of military hardware: the Armed Forces have just 30 tanks, 20 infantry fighting vehicles and 20 armoured personnel carriers. The number of artillery pieces is also very small. There is a high probability that decommissioned Russian military hardware may be turned over to Tajikistan to beef up the size of its Army and increase its combat ability.

The Air Force and Air Defence of Tajikistan is represented by a small number of transport and combat helicopters and obsolete S-75 and S-125 anti-aircraft missiles whose combat readiness level is unknown.

### Turkmenistan

The Armed Forces of Turkmenistan were created in 1992–1993 on the basis of the Soviet Army units, specifically the 52nd Army, which were there at the time the country declared independence. Turkmenistan is a strictly neutral country and is not a member of military-political alliances or overseas peacekeeping missions. The potential security threat comes from Afghanistan across the border.

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**The Armed Forces of Turkmenistan are made up of its ground forces and a large number of military vehicles, although little is known about their combat readiness.**

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Turkmenistan has military conscription for a term of 24 months and there are reports that the term of service may be increased to 36 months.

The Armed Forces of Turkmenistan are made up of 36,500 soldiers in active service, including:

The Army – 33,000; the Air Force – 3000; the Navy – 500.

Turkmenistan's ground forces are the main armed service in the Republic. At its core is an armoured brigade, two motorized divisions and four brigades. They have 650 T-72 tanks, more than 1000 armoured fighting vehicles and a large number of artillery units, though the combat readiness of all this hardware is unknown. The ground forces also have Elbrus tactical missiles.

The mission of the Turkmen Air Force is to provide air defence and support the ground forces. The combat jet planes include two MiG-29 squadrons and a squadron of Su-25 assault planes. The ageing of the fleet is a serious threat. Air defence is provided by obsolete S-75, S-125 and S-200 anti-aircraft missiles.

The Turkmen Naval Forces are under the command of the border troops. Their task is to patrol the borders and protect the country's economic interests in the Caspian Sea.

## Uzbekistan

The Armed Forces of the Republic of Uzbekistan were created in 1992 on the basis of the Soviet Army units that were there at the time the country declared independence. Uzbekistan is committed to neutrality, which resulted in its suspending its membership in the CSTO in 2012. The main threat to the republic are radical Islamic rebel groups both inside the country and in neighbouring Afghanistan. Despite its neutral status, Uzbekistan lent its Karshi-Khanabad Air Base to the United States Air Force during its operations in Afghanistan in 2001–2005. The base was later closed to the Americans, which sparked a diplomatic conflict. Nevertheless, the United States did turn a large number of armoured vehicles over to Uzbekistan, free of charge.

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**The Air and Air Defence Forces of Uzbekistan are made up primarily of Russian military hardware. There is also evidence of cooperation with China.**

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Uzbekistan has universal military conscription for a term of 12 months.

The Armed Forces of the Republic of Uzbekistan are made up of 48,000 soldiers in active service, including:

The Army – 24,500; the Air Force – 7500; auxiliary troops – 16,000.

The nucleus of Uzbekistan's ground forces is made up of one tank and 11 motorized brigades. The ground forces have 340 main battle tanks (half of them are obsolete T-62 models and are probably in storage) and 400 armoured vehicles of various types. The United States handed as many as 300 mine protected vehicles that it had used in Afghanistan over to Uzbekistan. In addition to the large number of conventional and rocket artillery, the Army also possesses Tochka tactical missiles.

The mission of the Air and Air Defence Forces of Uzbekistan is to ensure the country's air defence and support the ground troops. Jet aviation is represented by two squadrons of MiG-29 and Su-27 fighter planes, respectively, and by two squadrons of Su-25 fighter bombers. Air defence is mainly represented by obsolete S-75, S-125 and S-200 anti-aircraft missiles. Chinese HQ-9 anti-aircraft missiles have reportedly been purchased.



**POST-SOVIET  
SPACE:**

**30** YEARS

**AFTER  
COLLAPSE  
OF THE USSR**



# Azerbaijan in 2021: Reasserting Sovereignty

*Murad Gassanly*

*The years to come will be marked by emergence of a more hard-headed, strategically robust and brutally unsentimental policy-making.*

## Integrate into what?

“Ilham Aliyev Says “No” to European Integration,” screamed the headline<sup>1</sup> of a Berlin-based Azerbaijani opposition website on October 10, 2016. It was referring to President Aliyev’s speech<sup>2</sup> to his Cabinet three days earlier, in which he lambasted the EU for its handling of the refugee crisis and categorically ruled out any further political integration with the European Union. He argued that the prospect of such integration is not an attractive option as Europe is facing a “deep crisis”.

Arguably, this speech signifies a culmination of a comprehensive reformation of Azerbaijan’s political strategy. In 2016, the year Azerbaijan celebrates 25th anniversary of its independence, President Aliyev and his government appear to have reached a critical decision on the direction the country will take over the course of the decade to 2021 and beyond. The doctrine of strategic balance, which historically determined Azerbaijan’s geopolitical calculations, has been modified by a number of factors – from changing dynamics of the Nagorno-Karabakh conflict to falling oil prices. But the most fundamental change is in its normative content.

Azerbaijan’s decision in 2014 to reject the EU’s proposed Association Agreement shocked the European establishment, which operates under the assumption that everyone naturally wants to get closer to the European Union, with an Association Agreement being the ultimate prize. That Dirk Schuebel, senior EU official in charge of negotiations with Eastern Partnership countries, was “surprised”<sup>3</sup> at Azerbaijan’s decision suggests a wider misunderstanding. Similarly at the time, Tom de Wall, one of the West’s leading Caucasus experts, ruefully observed<sup>4</sup> that “Azerbaijan doesn’t want to be Western.”

<sup>1</sup> Ilham Aliyev Says «No» to European Integration // Meydan TV. October 10, 2016. URL: <https://www.meydan.tv/en/site/politics/18062>

<sup>2</sup> Ilham Aliyev Chaired Meeting of Cabinet of Ministers Dedicated to Results of Socio-Economic Development in Nine Months of 2016 and Future Objectives // Official Website of the President of the Republic of Azerbaijan. October 7, 2016. URL: <http://en.president.az/articles/21318>

<sup>3</sup> Gotev G. Azerbaijan’s Rejection of EU Association was an Eye-Opener for Brussels // EurActiv.com. February 11, 2016. URL: <https://www.euractiv.com/section/europe-s-east/news/azerbaijan-s-rejection-of-eu-association-was-an-eye-opener-for-brussels>

<sup>4</sup> Waal Th. de. Azerbaijan Doesn’t Want to Be Western. The Rhetoric and Reality of Baku’s Grand Strategy // Foreign Affairs. September 26, 2014. URL: <https://www.foreignaffairs.com/articles/russia-fsu/2014-09-26/azerbaijan-doesnt-want-be-western>

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Questions such as why Azerbaijan or anyone else should automatically want to get closer to the EU (especially now in the context of Brexit) or why would Azerbaijan, a country in the heart of Eurasia, wish to be “Western”, can be put down as rhetorical and the answers proffered by reference to Western exceptionalism and intellectually lazy Eurocentrism. In reality, nearly 40 per cent of Azerbaijanis have no idea what the European Union is at all and the remainder have decidedly mixed views about it.

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As President Aliyev<sup>5</sup> rhetorically asked: “Are we supposed to integrate into where they say “stop Muslims”?” What is evident in this remark is not only an explicit recognition of Azerbaijan’s complex identity politics but an indication that the ideological component of Azerbaijan’s relations with Europe and the West generally has fundamentally changed – in Baku’s eyes the West has lost its moral authority and this has major political implications.

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**The irony and the paradox of Azerbaijan’s Karabakh predicament is that after more than twenty years of building closer relations with the West it is Russia that appears to have turned out to be the most honest broker.**

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The sense of disillusionment is most profound on the issue of the Nagorno Karabakh conflict. Speaking at the time of the EU talks in 2014 the Deputy Head of the Azerbaijani Presidential Administration and chief of Foreign Relations Department Novruz Mammadov, complained<sup>6</sup> that the EU was questioning Azerbaijan’s territorial integrity. The sentiment was expressed in even starker terms by the President himself in an interview<sup>7</sup> with Dmitry Kiselyov, the head of the Russian news agency Rossiya Segodnya. Ilham Aliyev condemned the outgoing US Secretary of State John Kerry’s recent controversial comments<sup>8</sup> about impossibility of resolution of Nagorno Karabakh conflict, and compared lack of Western pressure on Armenia to appeasement.

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<sup>5</sup> Ilham Aliyev Chaired Meeting of Cabinet of Ministers... // Official Website of the President of the Republic of Azerbaijan. October 7, 2016. URL: <http://en.president.az/articles/21318>

<sup>6</sup> Novruz Mammadov: «The West Wanted Us to Sign an Association Agreement with the European Union, but the Issue of our Territorial Integrity had been Removed from it» // Azeri Press Agency (APA). April 29, 2014. URL: <http://en.apa.az/print/210522>

<sup>7</sup> For details see URL: <https://ria.ru/interview/20161018/1479448628.html>

<sup>8</sup> Kucera J. Kerry: Armenia and Azerbaijan «Not Ready» for Peace // Eurasianet.org. October 07, 2016. URL: <http://www.eurasianet.org/node/80841>

The irony and the paradox of Azerbaijan's Karabakh predicament is that after more than twenty years of building closer relations with the West it is Russia (of the three OSCE Minsk Group Co-Chairs) that appears to have turned out to be the most honest broker, with the comparatively most balanced and even-handed position and the biggest direct stake in the resolution of the conflict, and wider regional stability. Most importantly, Moscow understands<sup>9</sup> the primacy of the Karabakh issue for both Baku and Yerevan.

### Who lost Azerbaijan?

When Western commentators ask “Who Lost Azerbaijan?”, as Nick Butler did in FT<sup>10</sup> recently, they are bound to come up with wrong answers. One reason is that there is a real systemic failure to recognize that Karabakh is the single most important strategic policy issue for the government of Azerbaijan and a fundamental part of the wider national discourse. All other issues, especially those relating to international relations, are subordinated to what can be termed the Karabakh Primacy and viewed through the prism of the cause of liberation of occupied territories. This point was reiterated by Ilham Aliyev in the Kiselyov interview.<sup>11</sup>

Failure to recognize this foundational principle had historically led Western policy-makers to attempt to compartmentalize the issue of Karabakh, and separate it from other fields of engagement. There was never a real understanding that Azerbaijan's geopolitical approach to bilateral relations with other states and international institutions, even its oil and gas strategy, are wholly or in part subordinated to the aim of strengthening Azerbaijan's position on the Karabakh issue. The West's ambiguous response to Azerbaijan's relative success in the four-day war<sup>12</sup> in April 2016 served to underline this dissonance, as well as raise alarm in Baku.

The four-day war did have an important effect of breaking the psychological deadlock Azerbaijan has been grappling with since the ceasefire agreement of 1994, one that dictated that lands lost to force cannot be regained by force. Karabakh, therefore, will remain at the top of Azerbaijan's agenda for years to come, and Russia will remain the key stakeholder in the Armenian-Azerbaijani conflict. Not least because Moscow also understands that Baku is not prepared to wait indefinitely to restore its territorial integrity, as the US government seems to expect Azerbaijan to do.

<sup>9</sup> Putin: Russia to Support Resolution of Nagorno-Karabakh Conflict Acceptable for Both Sides // TASS. August 8, 2016. URL: <http://tass.com/politics/893088>

<sup>10</sup> Butler N. Who Lost Azerbaijan? // Financial Times. September 19, 2016. URL: <https://app.ft.com/content/236f46cc-0545-3e58-bc69-27b1838b32b0>

<sup>11</sup> For details see URL: <https://ria.ru/interview/20161018/1479448628.html>

<sup>12</sup> Gassanly M. Azerbaijan and the Four Day War: Breaking the Karabakh Deadlock // Russian International Affairs Council. June 22, 2016. URL: [http://russiancouncil.ru/inner/?id\\_4=7822#top-content](http://russiancouncil.ru/inner/?id_4=7822#top-content)

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Politically, Azerbaijan's strategy over the next few years will be to double down on its key precondition that the final status of Nagorno Karabakh cannot exceed that of an autonomous republic,<sup>13</sup> and that the issue can only be addressed after Armenian withdrawal from the occupied territories, return of displaced populations and deployment of international peacekeepers. Yet the risk of another "four-day war" before the 30th anniversary of Azerbaijan independence is an ever present one.

### Enhanced nonalignment

Azerbaijan's President and the country's establishment consistently reiterate<sup>14</sup> that internationally and on regional level Azerbaijan is self-sufficient and pursues an independent, non-aligned<sup>15</sup> policy. Another reason why many in the West just don't get Azerbaijan is because they think this is a bluff. The aforementioned surprise at Azerbaijan's decision not sign an Association Agreement with EU should be understood in this context. The fact that Azerbaijan's policy of nonalignment, political independence and maintenance of strong bilateral relations with a variety of global actors is dictated by pragmatic considerations of the Karabakh Primacy does not seem to occur.

The fact is Azerbaijan sees no contradiction in backing<sup>16</sup> Southern Gas Corridor, promoting multilateral regional cooperation formats, such as Azerbaijan-Russia-Turkey summit<sup>17</sup> and hosting trilateral meetings with Russia and Iran to spearhead the North-South integrated transport system. Such multifaceted systematic approach to regional and global politics will continue and intensify over the next five years. As will Azerbaijan burgeoning military partnership with Russia, which President Aliyev has described<sup>18</sup> as the principal partner, as well as Pakistan, Israel, Turkey and other military suppliers. Meanwhile Azerbaijan is increasingly pinning hopes on an emerging domestic arms manufacturing industry.

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<sup>13</sup> Ilham Aliyev: Reasonable Compromise on Karabakh is Possible // Azernews. October 20, 2016. URL: <http://www.azernews.az/nation/103946.html>

<sup>14</sup> For details see URL: <https://ria.ru/interview/20161018/1479448628.html>

<sup>15</sup> Azerbaijan and the Non-Aligned Movement // New Delhi Times. May 30, 2016. URL: <http://www.newdelhitimes.com/azerbaijan-and-the-non-aligned-movement123>

<sup>16</sup> The Second Ministerial Meeting of the Southern Gas Corridor Advisory Council. Joint Declaration. Baku, February 29, 2016. URL: [https://ec.europa.eu/energy/sites/ener/files/Joint\\_Declaration\\_Baku\\_2016.pdf](https://ec.europa.eu/energy/sites/ener/files/Joint_Declaration_Baku_2016.pdf)

<sup>17</sup> Quluzade O. Azerbaijan – Turkey – Russia Meeting to Be Held Soon // Trend News Agency. November 7, 2016. URL: <http://en.trend.az/azerbaijan/politics/2682074.html>

<sup>18</sup> For details see URL: <https://ria.ru/interview/20161018/1479448628.html>

The pragmatic turn in Azerbaijan's foreign policy is related not only to the ideological shift discussed above but also to the wider economic and financial pressures, as Baku seeks to navigate increasingly unstable global economic conditions and falling oil prices. Emphasis on financial viability in foreign relations is likely to emerge as a defining feature of Azerbaijan's political economy. Just as Azerbaijan unceremoniously dumped Nabucco project in 2013 when it became clear that commercial conditions would not be met, Baku is likely to take similarly unsentimental approach to Southern Gas Corridor, should threats<sup>19</sup> to derail it materialise in the coming years.

Ultimately, Azerbaijan is a gas producer and exporter and the primary concern is to ensure commercial viability of its projects, such as the Stage 2 of Shah Deniz gas development, and to generate maximum revenue from its natural resources.<sup>20, 21</sup> In the face of diminishing political dividends from relations with the EU, Baku will not jeopardise its economic or political sovereignty in order to rescue costly energy transmission projects aimed at delivering additional natural gas supplies to European consumers. Whilst TANAP<sup>22</sup> is a strategically pivotal project for Azerbaijan and will be completed by 2018 under any circumstances, Baku is fully aware that there are plenty of potential regional customers for Azeri gas.

Similarly, Azerbaijan's wider bilateral relations with regional and global partners are also likely to acquire a defined transactional character. Taking a cautious sector-by-sector, issue-by-issue approach Baku will seek to amplify its own specific priorities, whether in negotiations with EU on a new strategic partnership agreement,<sup>23</sup> or with the Eurasian Economic Union (EAEU) on closer relations – as President Aliyev remarked: “...nothing can be excluded.”<sup>24</sup>

### Business first

Indeed, Azerbaijan's increasingly assertive foreign policy was the key reason for the country suddenly being cast as a “growing problem for the West”.<sup>25</sup> For

<sup>19</sup> Farchy J. Azerbaijan Gas Loans Under Threat after NGO Ultimatum. Financial Times. October 26, 2016. URL: <https://www.ft.com/content/dee61e6c-9b5e-11e6-8f9b-70e3cabccfae>

<sup>20</sup> Shah Deniz Stage 2 // BP Azerbaijan. URL: [http://www.bp.com/en\\_az/caspian/operationsprojects/Shahdeniz/SDstage2.html](http://www.bp.com/en_az/caspian/operationsprojects/Shahdeniz/SDstage2.html)

<sup>21</sup> Azeri-Chirag-Deepwater Gunashli // BP Azerbaijan. URL: [http://www.bp.com/en\\_az/caspian/operationsprojects/ACG.html](http://www.bp.com/en_az/caspian/operationsprojects/ACG.html)

<sup>22</sup> Op. cit.

<sup>23</sup> Azerbaijan Welcomes European Council Adopting Mandate for Talks on New Agreement // APA. November 14, 2016. URL: <http://en.apa.az/azerbaijan-politics/foreign-news/azerbaijan-welcomeseuropean-council-adopting-mandate-for-talks-on-new-agreement.html>

<sup>24</sup> Ilham Aliyev does not Exclude Azerbaijan's Accession to Eurasian Economic Union in Future // APA. October 18, 2016. URL: <http://en.apa.az/azerbaijan-politics/foreign-news/ilham-aliyevdoes-not-exclude-azerbaijan-s-accession-to-eurasian-economic-union-in-future.html>

<sup>25</sup> Jarosiewicz A. Azerbaijan – A Growing Problem for the West // OSW. September 15, 2014. URL: <https://www.osw.waw.pl/en/publikacje/osw-commentary/2014-09-15/azerbaijan-a-growingproblem-west>

many in Baku the growing anti-Azerbaijani campaign in Western media,<sup>26</sup> civil society<sup>27</sup> and some political circles,<sup>28</sup> complete with caricatured representation<sup>29</sup> of the Republic as an “oil and caviar dictatorship” and calls for sanctions,<sup>30</sup> are deeply troubling, being at odds with the reality of Azerbaijan’s bilateral relations with the United States and member states of the EU, as well as various European institutions. This leads to a conclusion, as President Aliyev himself alluded to in the Kiselyov interview,<sup>31</sup> that Azerbaijan is a subject of a targeted campaign,<sup>32</sup> aimed at exerting undue pressure and damage the country’s standing and reputation.

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### **Azerbaijan’s wider bilateral relations with regional and global partners are also likely to acquire a defined transactional character.**

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It is likely that Baku has by now developed a high degree of resilience to this sort of antagonism and will take a robust approach to dealing with such challenges in the years ahead. How this will impact Azerbaijan’s relations with the West depends on many factors – from the response from the new<sup>33</sup> US presidential administration to the impact of Brexit negotiations. What is clear is that Azerbaijan will seek to prioritize commercial interests, which may in turn offer new opportunities as Baku seeks<sup>34</sup> foreign direct investment to diversify its economy away from dependency on oil and gas exports.

For example, UK is set to remain Azerbaijan’s single largest investor, irrespective of Brexit. And whatever the outcome of the corporate battle<sup>35</sup> over the

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<sup>26</sup> Kramer D.J., Kauzlarich R. It’s Time for the United States to Act on Azerbaijan // The Washington Post. September 8, 2016. URL: [https://www.washingtonpost.com/news/global-opinions/wp/2016/09/08/its-time-for-the-united-states-to-act-on-azerbaijan/?utm\\_term=.7e2385f6ccbd](https://www.washingtonpost.com/news/global-opinions/wp/2016/09/08/its-time-for-the-united-states-to-act-on-azerbaijan/?utm_term=.7e2385f6ccbd)

<sup>27</sup> Azerbaijan // Freedom House. URL: <https://freedomhouse.org/country/azerbaijan>

<sup>28</sup> European Parliament Resolution of 10 September 2015 on Azerbaijan (2015/2840(RSP)) // European Parliament. URL: <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+TA+P8-TA-2015-0316+0+DOC+PDF+V0//EN>

<sup>29</sup> Belhassen S. «Azerbaijan is Turning into a Dictatorship – We Shouldn’t Fall for its Caviar Diplomacy». The Guardian. August 13, 2015. URL: <https://www.theguardian.com/world/2015/aug/13/azerbaijan-political-prisoners-leyla-arif-yunus>

<sup>30</sup> Kramer D.J., Kauzlarich R. Time for Sanctions on Baku // The American Interest. October 02, 2014. URL: <http://www.the-american-interest.com/2014/10/02/time-for-sanctions-on-baku>

<sup>31</sup> For details, see URL: <https://ria.ru/interview/20161018/1479448628.html>

<sup>32</sup> Anti-Azerbaijani Campaign Led by John Kerry’s Office in Congress – Survey // APA. April 28, 2015. URL: <http://en.apa.az/azerbaijan-politics/foreign-news/anti-azerbaijani-campaign-led-by-johnkerrys-office-in-congress-survey.html>

<sup>33</sup> Azerbaijan President Telephones Donald Trump // APA. November 17, 2016. URL: <http://en.apa.az/azerbaijan-politics/foreign-news/azerbaijan-president-telephones-donald-trump.html>

<sup>34</sup> Abbasova N. Azerbaijan Seeks to Join Global Value Chains // Azernews. September 8, 2016. URL: <http://www.azernews.az/business/101905.html>

<sup>35</sup> Calcuttawala Z. Exxon and BP Battle For «Oil Contract of the Century» // OilPrice.com. July 04, 2016. URL: <http://oilprice.com/Latest-Energy-News/World-News/Exxon-And-BP-Battle-ForOil-contract-Of-The-Century.html>

extension to the lucrative Azerbaijani oil contracts, it is likely that Baku's formal proposals<sup>36</sup> for new Production Sharing Agreement emphasised Azerbaijan's financial priorities, rather than a specific commitment to closer political relations with Britain or the EU. Similarly, Azerbaijan's relations with remaining member states of the EU, as well as Turkey, Israel,<sup>37</sup> Pakistan, Iran, China<sup>38</sup> and other international partners will emerge over the next five years within clearly defined bilateral frameworks and openly formulated policy areas – defence,<sup>39</sup> trade,<sup>40</sup> security,<sup>41</sup> energy,<sup>42</sup> etc.

### Domestic reform

This trend for financialisation of political decision-making ties in with the government's accelerated domestic reform agenda. Having secured major constitutional changes in the recently held referendum<sup>43</sup> President Aliyev now feels confident to take a longer term strategic approach to carrying out radical public sector reform, tackling corruption and raising economic efficiency – efforts that will require challenging vested interests.

The emergence of government departments such as the State Agency for Public Service and Social Innovations,<sup>44</sup> operating under direct Presidential control, point to likely developments in the coming years, as the government embraces technology-intensive policy solutions to cut public spending and to improve the quality of public services. Proliferation of Azerbaijan's flagship ASAN<sup>45</sup> system into

<sup>36</sup> Babayeva F. Azerbaijan Proposes New Oil Contract to Foreign Partners of ACG // Azernews. May 26, 2016. URL: [http://www.azernews.az/oil\\_and\\_gas/97186.html](http://www.azernews.az/oil_and_gas/97186.html)

<sup>37</sup> Simchah R., Green A. Azerbaijan and Israel: Blueprint for Positive Jewish-Muslim Relations // The JewishPress.com. October 9, 2016. URL: <http://www.jewishpress.com/indepth/opinions/azerbaijan-and-israel-blueprint-for-positive-jewish-muslim-relations/2016/10/09>

<sup>38</sup> Nazarli A. Azerbaijan, China Discuss Trade, Economic Cooperation // Azernews. August 19, 2016. URL: <http://www.azernews.az/business/101105.html>

<sup>39</sup> Heydarov H. Azerbaijan, Pakistan Ink Military Co-op Plan // APA. November 03, 2016. URL: <http://en.apa.az/azerbaijan-military/azerbaijan-army-azerbaijani-armed-forces/azerbaijan-pakistan-inkmilitary-co-op-plan.html>

<sup>40</sup> Azerbaijan, Turkey Increase Turnover // Trend News Agency. November 18, 2016. URL: <http://en.trend.az/business/economy/2687122.html>

<sup>41</sup> Melman Y. Intelligence: Israel and Azerbaijan – The Odd Couple // The Yerusolim Post. April 16, 2016. URL: <http://www.jpost.com/Opinion/INTELLIGENCE-The-odd-couple-451276>

<sup>42</sup> Nazarli A. Energy Cooperation to Be in Focus of Azerbaijan-UK Talks // Azernews. November 04, 2016. URL: <http://www.azernews.az/business/104645.html>

<sup>43</sup> Mehdiyev E. CEC: Constitutional Referendum in Azerbaijan Valid // Trend News Agency. September 27, 2016. URL: <http://en.trend.az/azerbaijan/politics/2665052.html>

<sup>44</sup> Azərbaycan Respublikasının Prezidenti yanında Vətəndaşlara Xidmət və Social Innovasiyalar üzrə Dövlət Agentliyi. URL: <http://vxsida.gov.az>

<sup>45</sup> President of the Republic of Azerbaijan Ilham Aliyev Examined the Activities of the Ganja «ASAN Xidmət» Center of the State Agency for Public Service and Social Innovations // State Agency for Public Service and Social Innovations under the President of the Republic of Azerbaijan. January 21, 2016. URL: <http://www.asan.gov.az/en/content/view/265/2362>

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various aspects of public life – from visa issuance<sup>46</sup> to train operations<sup>47</sup> – is likely to dominate domestic socio-economic policy over the next five years.

Ambitious social housing<sup>48</sup> projects aimed at delivering rent-to-buy options for families on low and medium incomes will proliferate, generating local economic growth and job creation and contributing to expansion of home-ownership in the long-term. Simultaneously, President Aliyev's government is likely to seek to increase real-terms expenditure on healthcare in particular, whilst seeking to enhance efficiency of public services.

In summary, the next five years are likely to see Azerbaijan combine its traditional concern for maintaining stability with a more active, pragmatic, goal-orientated domestic and international strategy, aimed at maximising Baku's geopolitical capital and economic interests. There will be no place for abstract ideological notions and sentimental concerns. Above this all looms the ever-pressing challenge of resolving the Karabakh conflict.

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<sup>46</sup> Isabalayeva I. ASAN Visa System to Improve Work on Developing Tourism in Azerbaijan // Trend News Agency. June 27, 2016. URL: <http://en.trend.az/azerbaijan/society/2550613.html>

<sup>47</sup> «ASAN-Train Service» System to be Introduced // Azerbaijan State News Agency. July 12, 2016. URL: [http://azertag.az/en/xeber/ASAN\\_Train\\_Service\\_system\\_to\\_be\\_introduced-970370](http://azertag.az/en/xeber/ASAN_Train_Service_system_to_be_introduced-970370)

<sup>48</sup> Nazarli A. Social Housing Construction Scheduled for Year-End in Azerbaijan // Azernews. April 20, 2016. URL: <http://www.azernews.az/business/95460.html>

# Armenia after Twenty Five Years of Independence: Maintaining Stability in an Unpredictable Neighborhood

*Hovhannes Nikoghosyan*

*Like all other post-Soviet countries in the Commonwealth of Independent States, Armenia celebrated its 25th anniversary of independence in 2016, which is a fitting occasion to draw lessons from the first quarter of a century's experience, and to look to the future – after lengthy Caucasian toasts have all been raised and drained.*

*This essay will attempt to outline a future, based on monitoring and a critical understanding of the current trends and track record of the past few years in and around Armenia. As it commonly happens, the course of development in the next few years will depend on a number of internal and external factors, and none of those are constant variables, neither can they be assessed and predicted with mathematical accuracy.*

## Internal political trends

Thomas Jefferson advocated for a fundamental reconsideration of prevailing institutions once in every generation.<sup>1</sup> Along these lines, the next two to three years in Armenia will be marked by transforming the domestic political landscape – for two major reasons, formal and informal. First, the generation of those who earned independence and brought victory in the 1992–1994 war will not be around forever. Already in 2013 Armenia's first President Levon Ter-Petrosyan, now 71, cited age and health issues for not running in the presidential race. No doubt, the influence of the founding fathers on decision-making will continue to have a major impact, yet pending institutional changes will inevitably tailor new circles of influence across the political spectrum.

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**The amended Constitution will fully enter into force following the Presidential elections in February 2018. At first sight, nothing more but the transition of executive power from the President to the Prime Minister will take place; but in fact the transition will bring crucial changes as a result of a new institutional design with a more decentralized system of governance, populated by many political parties and interest groups.**

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<sup>1</sup> E.g. Thomas Jefferson to James Madison, September 6, 1789 // Popular Basis of Political Authority. Chapter 2. Document 23. Papers 15: 392–97. URL: <http://press-pubs.uchicago.edu/founders/documents/v1ch2s23.html>

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Secondly, Armenia is scheduled to transform into a parliamentary republic following Constitutional Amendments adopted following a 2015 nationwide referendum,<sup>2</sup> and therefore the forthcoming parliamentary elections of April 2017 (more importantly, the campaign) will mark a tipping point for Armenian political elites to adjust to new rules of the game. Beyond holding these elections in a free, fair, and transparent manner, crucial for ensuring continued support and uninterrupted cooperation with Brussels, Washington and international financial organisations, the future of the Armenian political system will be determined by the alliances and blocs formed in the run-up to the elections, and their endurance in the new parliament. The new Electoral Code – adopted in a rare consensus among the ruling and main opposition parties in Fall of 2016 (even branded as “historic”) – created an environment where mainstream political groupings spoke favorably of the pre-electoral environment.<sup>3</sup>

Minor league political parties are already speaking in favor of forming pre-election coalitions, including some mulling over mergers. It is highly possible to observe the consolidation of parties across the political landscape, and, given the design offered in the new Electoral Code, the emergence of a two-and-a-half strong party system before the 2022 parliamentary elections. The lessons of the failures in some post-Communist parliamentary republics suggest that the sustainability of the system of governance correlates with that of the party system.

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**Armenia has a dynamic and highly emotional society with a high internet penetration rate, uncensored internet content, still climbing numbers of social media users and activism.**

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The amended Constitution will fully enter into force following the Presidential elections in February 2018. At first sight, nothing more but the transition of executive power from the President to the Prime Minister will take place; but in fact the transition will bring crucial changes as a result of a new institutional design with a more decentralized system of governance, populated by many political parties and interest groups, and a reformed and more robust National Security Council with, possibly, decision-making powers.

Armenia has a dynamic and highly emotional society with a high internet penetration rate, uncensored internet content (‘Free’ status in Freedom of the Net index by Freedom House, 2015), still climbing numbers of social media users and activism, who can boast of a number of successful viral campaigns in the recent past (public transportation tariffs in 2014, #ElectricYerevan in 2015, etc.) and serious

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<sup>2</sup> Constitutional Referendum // OSCE. December 6, 2015. URL: <http://www.osce.org/odihr/elections/armenia/203956>

<sup>3</sup> Armenia Parliament Passes Election Code Amendments // News.am. October 20, 2016. URL: <https://news.am/eng/news/352700.html>; EU Hails Armenian Electoral Code Agreement // The Armenian Weekly. September 16, 2016. URL: <https://armenianweekly.com/2016/09/16/eu-armenia/>

mobilisation potential against external challenges (e.g. the slaughter of an Armenian family in Gyumri, 2015;<sup>4</sup> Four Day War, 2016,<sup>5</sup> etc.). Therefore, in order for both domestic political parties and the government to earn followers, and for foreign powers to maintain their positive agenda, “winning hearts and minds” through various soft power tools will remain the one and only sustainable course of action.

### Foreign policy begins at home

On foreign policy, it will be safe to argue that the “foreign policy begins at home” maxim, refreshed by the brilliant political scientist and President of the American Council on Foreign Relations Richard Haas in his book with the same title (Basic Books, 2013), will continue to apply to Armenia in its relations with not only Azerbaijan and Turkey, but also its major ally – Russia, and indispensable security partner – the Republic of Nagorno Karabakh.

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**Continual strengthening of the strategic alliance with Russia, regardless of the dynamics in the CSTO or Eurasian Economic Union, will continue to be a priority for any government in Yerevan.**

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The prevailing mood in Armenian society on any new deals with Azerbaijan or initiating (rather than responding to) a new rapprochement with Turkey have become highly unpopular – following the Four Day War in April, 2016 and the increasingly anti-Armenian rhetoric of Turkish President Erdogan, who will for some time keep busy looking inward to the growing Kurdish insurgency. In the case of Azerbaijan the situation is unlikely to change, given the present state-driven propaganda environment. However, there is a possibility for the resumption of a track-two, or even track one-and-a-half Armenian-Turkish behind-the-doors process, especially if Hillary Clinton makes it to 1600 Pennsylvania Avenue.

Interestingly, absent political openings for a resolution of Nagorno Karabakh, especially after the unprecedented escalation and armed aggression by Azerbaijan in April 2016,<sup>6</sup> followed by its unilateral abandonment of the commitments shouldered in the Vienna and Saint Petersburg summits in May and June (2016), new frameworks for addressing the humanitarian aspects of the post-conflict reconstruction may be launched within the scope of the European Court of Human Rights Grand Chamber’s twin judgments of “Chiragov and others v Armenia”, and “Sargsyan v Azerbaijan”, delivered back in June 2015.

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<sup>4</sup> For details see URL: [https://ria.ru/trend/Gyumri\\_murder\\_12012015/](https://ria.ru/trend/Gyumri_murder_12012015/)

<sup>5</sup> Markedonov S. The Yerevan Unrest: Implications for Russia and the Caucasian Region // Russia-direct. July 27, 2016. URL: <http://www.russia-direct.org/opinion/what-are-implications-yerevan-incident-russia>

<sup>6</sup> Nikoghosyan H. A Little War that Didn’t Shake the World: a View from Yerevan // Russian International Affairs Council. April 08, 2016. URL: <http://russiancouncil.ru/en/analytics-and-comments/analytics/malenkaya-voyna-kotoraya-ne-potryasla-mir-vzglyad-iz-erevana/>

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This unparalleled legal process will most likely have an impact on similar cases involving Turkey, Greece, and Cyprus, and most importantly – result in strengthened and more institutionalized relations between Armenia and Nagorno Karabakh, taking these relations to a new level, free from excessive emotions.

Continual strengthening of the strategic alliance with Russia, regardless of the dynamics in the CSTO or Eurasian Economic Union, will continue to be a priority for any government in Yerevan. Yet it is important to open up new channels of interaction between Moscow and Yerevan and to remove Soviet-era mentalities on both sides, otherwise miscommunication will deepen over time, as seen with other post-Soviet countries.<sup>7</sup> Just to bring one vivid example: in “The Strongman” (2013) Angus Roxburgh<sup>8</sup> interviewed many experts and high-level politicians in Russia – and none of them could predict the events that would happen in Ukraine; moreover, the scenario of a worsening of bilateral relations with Ukraine was mostly ridiculed by the interviewees.

Intensive exchanges of students, academic visits by university researchers, and enhanced humanitarian cooperation and public diplomacy will eventually replace the “common past” narrative, which is mostly irrelevant for the post-independence generation. Of course, the mass media in both countries has a big role to play, gradually embracing proper expertise instead of “know-it-all” commentators.

The present situation sometimes sends false signals of consensus within the Russian elite that Armenia is and will remain Russia’s key and unparalleled ally in the region. The 17 per cent drop in public perception of Russia’s “friendliness” in Armenia, observed in a Eurasian Development Bank survey in October 2016, should be an alarm bell for both sides.<sup>9</sup> Neither side should be blinded by pride and arrogance.

### A bridge between Scylla and Charybdis is feasible

As a country that continuously strives to find opportunities only in areas where the interests of great powers overlap, and not to play on their contradictions, the Armenian foreign and security policies will greatly correlate with the ability of Moscow, Brussels and Washington to bridge their differences instead of escalating tensions and nurturing distrust. Therefore, relations with the EU and US (where the Armenian diaspora in key European states and the US play a major role), to put it bluntly, will be influenced by the success or failure of the Normandy Quartet on Ukraine.

<sup>7</sup> Koshkin P. What the Kremlin’s New Red Lines in the Post-Soviet Space? // Russia-direct. August 19, 2015. URL: <http://www.russia-direct.org/what-are-kremlins-new-red-lines-post-soviet-space>

<sup>8</sup> Roxburgh A. The Strongman: Vladimir Putin and the Struggle for Russia. I.B.Tauris, 2013 (updated edition), 368 pages.

<sup>9</sup> For details see URL: <http://newsarmenia.am/news/armenia/eabr-v-armenii-zafiksirovano-rezkoe-padenie-vospriyatya-rossii-kak-druzhestvennoy-strany/>

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**Yerevan understands this opportunity and is interested in facilitating a smooth institutionalization of tariffs and trade rules within the EAU, aspiring to bridge East and West.**

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Meanwhile, the relations with Brussels and Washington will depend not only on Ukraine, and the pace of domestic reforms or democratic processes,<sup>10</sup> but on the willingness of the EU and the US to seek alternative grounds for cooperation with the Kremlin (and the Eurasian Union, speaking in economic terms) both with the help of Armenia, as well as on its territory. Clearly, Yerevan understands this opportunity and is interested in facilitating a smooth institutionalization of tariffs and trade rules within the EAU, aspiring to bridge East and West – a role that has brought both devastation and trade opportunities for Armenia for centuries.

Establishing anti-corruption frameworks and improving legislation, encouraging investments and cooperation in peacekeeping missions are on the top of US–Armenia agenda, and will likely remain so – regardless of who enters the White House next January.

With regards to the European Union, Armenia will finally conclude and sign the new framework document to replace the Partnership and Cooperation Agreement of 1999.<sup>11</sup> Most likely this will take place after parliamentary elections in Armenia, not before, which may result in another tactical mistake of the bureaucratic machine in Brussels. On a positive note, the good news is that in the next few years Brussels itself will be in search of adequate mechanisms of cooperation with countries that have not signed AA/DCFTA agreements with it. Brussels bid farewell to the European Neighborhood Policy project in the EU’s New Global Strategy, so there is enough room on both sides to be creative in terms of the future.

Relations with Georgia will continue to be crucial for Armenia’s stability, as the lion’s share of trade turnover flows through Georgian ports and mountains.

The “black swan” capable of altering future scenarios for Armenia – both domestically, regionally, and internationally – is Iran. Provided that all relevant parties remain satisfied with the implementation of JCPOA, signed in 2015, Iran will eventually and formally enter great power politics in the next five years. Even though Tehran has been a staunch partner and ally ever since Armenian independence, Iran’s opening to the world will bring both challenges and opportunities for Yerevan – depending on how well Armenia will manage to

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<sup>10</sup> Washington highlights agreements on Nagorno Karabakh from Vienna and Saint Petersburg meetings // Panorama.am. June 27, 2016. URL: <http://www.panorama.am/en/news/2016/06/27/Washington-Nagorno-Karabakh-Vienna-Saint-Petersburg/1603785>

<sup>11</sup> The 5th stage of Armenia–EU negotiations completed // Mediamax. October 26, 2016. URL: <http://www.mediamax.am/en/news/foreignpolicy/20352/>

cooperate in economic and security spheres in a more competitive environment. The two indicators for these relations will be the railway construction project and transit of Iranian gas through Armenia.

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**The growing instability and unpredictability of Azerbaijan will continue to channel a sizeable portion of Armenia’s budget to military expenditures, which will now be used to achieve social and industrial progress within the “Nation-Army” concept.**

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Azerbaijan will continue to remain the major threat for the Republic of Nagorno Karabakh and Armenia. Gas exports will not be able to compensate for Azerbaijan’s dwindling oil production, even after the completion of the second stage of the Shah Deniz field – state budget revenues will never be the same as in 2012–2015.<sup>12</sup> Therefore, in order to keep power in a situation of thinning social spending capacities, the ruling family in Azerbaijan will need to continuously escalate the situation along the Line of Contact, and along the international border with Armenia – keeping both Yerevan and Stepanakert under pressure and sizeable military spending, as well as keeping and its own population in check. However, bellicose rhetoric coupled with ongoing violations of the ceasefire regime and military drills (Azerbaijan announced to hold 60.000-men strong exercises in mid-November, 2016)<sup>13</sup> may lead to an “accidental war”, as many experts have been predicting for quite some time.<sup>14</sup> With global oil prices at \$40–45 per barrel, Ilham Aliyev’s Cold War-style “brinkmanship” policy will be harder to pursue.<sup>15</sup> But he will continue on this course unless global players stop regarding official Baku as a “spoiled troublemaker” that will eventually stop. He will not.

Yet, the major question is about the “red line” – in fact, something alien to popular narratives in the Caucasus – that is, for how long will Azerbaijani society tolerate the ruling family’s flagrant corruption, systematic human rights abuses, and strict control over socio-political life in the country? The perception that the new Constitution in Azerbaijan, adopted in September 2016, will give robust guarantees for smoother power transition within the ruling family may at any moment prove to

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<sup>12</sup> Agayev Z. Azerbaijan Turns to IMF, World Bank After Collapse in Crude // Bloomberg. January 28, 2016. URL: <https://www.bloomberg.com/news/articles/2016-01-28/imf-starts-talks-with-azerbaijan-on-possible-financial-aid>

<sup>13</sup> For details see URL: <https://easaily.com/ru/news/2016/11/12/formula-uspeha-baku-voennye-ucheniya-derzhat-karabah-pod-napryazheniem>

<sup>14</sup> Armenia and Azerbaijan: Preventing War // International Crisis Group. February 8, 2011. URL: <https://www.crisisgroup.org/europe-central-asia/caucasus/armenia/armenia-and-azerbaijan-preventing-war>

<sup>15</sup> Avagimyan A. The Role of Oil in the Formation of Azerbaijan’s Foreign Policy. Lambert Academic Publishing, 2016.

be wrong. Thereby, the growing instability and unpredictability of Azerbaijan will continue to channel a sizeable portion of Armenia's budget to military expenditures, which will now be used to achieve social and industrial progress within the "Nation-Army" concept.<sup>16</sup> The concept was proposed by the new Armenian Defense Minister in the largely elite-professional government, which is so far enjoying broad public support.

Internationally, Armenia will continue to have an impact on the ups and downs of the Nagorno Karabakh peace process, but will also aspire to enter into more robust foreign policy endeavors to cater to public expectations of an increasingly dynamic civil society.

To conclude, Armenia has yet to meet the challenges and seize the opportunities that lie ahead. The only factor ensuring success (not failing), as simple as it may sound, is to have strong and effective institutions as a result of ambitious reforms currently underway in Armenia, which will lead to internal transformations within the framework of the amended Constitution.

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<sup>16</sup> For details see URL: <http://newsarmenia.am/news/armenia/kontseptsiya-natsiya-armiya-ne-oznachaet-militarizatsiyu-naseleniya-ministr-oborony-armenii/>

## Between Conflict and Stabilization. Southeast Europe in Five Years

Alexander Pivovarenko

*Until recently, most people thought that the future of Southeast Europe was logical and predictable. The establishment of the Stability Pact for South Eastern Europe on July 30, 1999 reinforced the notion that the region had entered a period of stabilization, as the countries there experienced economic growth and democratic transformations, while European institutions enjoyed authority. People were optimistic about NATO expansion and the accession of new countries – Bulgaria, Romania, Slovenia, Albania, Croatia and Macedonia. Euro-Atlantic integration was believed to be a realistic goal for all these countries 11 years ago.<sup>1</sup> There were alternative opinions within the crowd, but they could barely be heard. Illusions appeared, reinforced by the cautiously optimistic nature of relations between Russia and the West.*

International relations fluctuate between order and chaos. And today, it is commonly believed that international relations are experiencing a transitional phase caused by a crisis of the old system and the absence to date of new principles of cooperation.<sup>2</sup> Though the completion of Euro-Atlantic integration cannot be entirely ruled out, it should be noted that such integration will likely take place in a different international context: instead of optimism, what prevails today is tension caused by the deterioration in the military and political situation in Eurasia since 2008 and the break in relations between Russia and the West. While normalization is possible and certainly desirable, the likelihood has definitely increased that over the next five years there could be movement in both directions – both a return to stabilization as well as the further destabilization of the situation.

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**The future of Southeast Europe will largely be decided by the external factor. Countries not involved in Euro-Atlantic integration processes will have to choose a direction in their foreign policy.**

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This implies that the external factor will play the most important role in determining the region's future. It is pivotal due to the fact that the Balkans have

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<sup>1</sup> Official NATO Website. Bringing Peace and Stability to the Balkans // NATO in the Balkans. Briefing. February 2005, p. 2. URL: [http://www.nato.int/nato\\_static/assets/pdf/pdf\\_publications/20120103\\_balkans-e.pdf](http://www.nato.int/nato_static/assets/pdf/pdf_publications/20120103_balkans-e.pdf)

<sup>2</sup> Kosolapov N.A. Globalization: From the World Order to the International Political Organization of the World // Bogaturov A.D., Kosolapov N.A., Khrustalov M.A. Essays on the Theory and Political Analysis of International Relations. Moscow, 2002, p. 307; Ivanov I. Foreign Policy in the Era of Globalization. Moscow, 2011, p. 67.

almost always been a place where foreign interests collide.<sup>3</sup> Today, the “external factor” consists of the problem of choosing a foreign policy for countries that fall outside of Euro-Atlantic integration. It is significant that the deterioration in relations between Russia and the West has resulted in the region’s problems being viewed within the logic of a confrontation, which has led to increased integration impulses.<sup>4</sup> In this regard, the events of 2015–2016 in Montenegro (protests, preparations for joining NATO, parliamentary elections and a domestic political crisis) with Prime Minister Milo Đukanović actively employing anti-Russian rhetoric are revealing.<sup>5</sup> The external factor traditionally consists of the not-always-fair settlement of the Yugoslav crisis of 1990–2001. However, there are also traditional problems in the region caused by the ongoing mix of different ethnic and religious communities, the incongruity in state and ethnic boundaries as well as certain signs of the degradation of the political regimes seen today.

Thus, it seems reasonable to evaluate the situation in Southeast Europe based on a combination of external (processes occurring within an international context) and internal (processes occurring within the Balkan Peninsula) conditions.

## Scenarios of stabilization

### Bridge between Europe and Asia

Following from the logic of the past, the most obvious option could be to restore overall stability on the basis of a resolution to the crisis between Russia and the West, which would strengthen stability in certain regions of the continent. Achieving this would require a number of conditions to be observed: the regulation of the internal crisis within the European Union; the swift resolution of crises that affect the security of the European Union and Russia (the Ukrainian and Syrian crises and the humanitarian crisis with regard to refugees, and the export of terrorism and radical Islam); and the search for a viable economic model for the crisis-riddled European periphery.

Overall stabilization is possible if the conflict between Russia and the West is eliminated from the agenda. Depending on how the situation is resolved, stabilization could occur in two ways. If Russia remains or becomes a greater factor

<sup>3</sup> Nikiforov K.V. *Serbia in the Balkans. 20th Century*. Moscow, 2012, p. 153.

<sup>4</sup> In the Balkans, this was first seen in the summer and autumn of 2014 when alarmist statements concerning Russia appeared in EU countries. They claimed that Russia’s growing financial and political power is capable of undermining the European Union’s position in a number of key regions. They addressed the need to counter its own strategy based on restrictions on Russia’s economic and political influence and the strengthening of Euro-Atlantic integration in Southeast Europe. See: Clark D., Foxall A. *Russia’s Role in the Balkans – Cause for Concern?* The Henry Jackson Society. London, June 2014, p. iii, 19–20. URL: <http://henryjacksonsociety.org/wp-content/uploads/2014/06/Russias-Role-in-the-Balkans.pdf>. Also: *Merkel Concerned about Russian Influence in the Balkans*. Spiegel Online. November 17, 2014. URL: <http://www.spiegel.de/international/europe/germany-worried-about-russian-influence-in-the-balkans-a-1003427.html>

<sup>5</sup> Milo Đukanović: *Opasnost po EU dolazi iz Rusije* // Aljazeera Balkans. July 12, 2016. URL: <http://balkans.aljazeera.net/vijesti/milo-dukanovic-opasnost-po-eu-dolazi-iz-rusije>

capable of influencing the situation in the region, stability in the Balkans could take place through a search for a compromise-based model of Euro-Atlantic integration for the countries that maintain an intermediate position (Serbia, Bosnia and Herzegovina, Montenegro and Macedonia). If Russia's role is diminished, stabilization could happen by completing the region's integration into the European Union and NATO. The intermediate options thus imply the completion of Euro-Atlantic integration for certain countries (Bosnia and Herzegovina, Montenegro) and the search for a compromise-based model for others (Serbia, Macedonia).

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### **The new EU Global Strategy may be followed by the European Union's desire to step up its role in Turkey and the Balkans.**

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A return to the situation of 2001–2014, which is regarded as exemplary to some extent, is seen as a kind of benchmark. However, it must be remembered that controlled disintegration processes were unfolding in parallel to stabilization during this period (Montenegro in 2006 and Kosovo in 2008). Thus, stabilization under this scenario implies certain changes, albeit in a controlled manner.

The expansion of NATO to the East and the U.S-led Western intervention in the Yugoslav crisis led to the formation of a NATO-centrist model of European security.<sup>6</sup> However, perhaps the situation will change. With the adoption in summer 2016 of the new EU Global Strategy, attempts can be expected from the European Union to increase its role and step up its efforts in stabilizing the Balkans and Turkey, which are seen as vital for European security.<sup>7</sup> Germany, which historically has had special interests in the region, should be the driver for such influence, as should Italy, which focuses on the Montenegrin and Albanian coast.<sup>8</sup> However, other European (France, the United Kingdom and Poland) and non-European nations (China, Arab countries), which have already expressed interest in the region, should also be expected to get involved. In addition, we must not forget about Turkey, which views the region as the sphere of its own national interests.<sup>9</sup>

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### **The importance of Serbia and Montenegro, which feature routes to major ports, may grow significantly.**

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<sup>6</sup> Nikiforov K.V. *Serbia in the Balkans. 20th Century*. Moscow, 2012, p. 149.

<sup>7</sup> Timofeev I. *EU–Russia: Selective Engagement and Strategic Security Dialogue* // Russian International Affairs Council. September 28, 2016. URL: [http://russiancouncil.ru/en/inner/?id\\_4=8163#top-content](http://russiancouncil.ru/en/inner/?id_4=8163#top-content)

<sup>8</sup> Kamkin A. *Germany's European Leadership: Hegemony against One's Will?* // Russian International Affairs Council. October 20, 2016. URL: [http://russiancouncil.ru/en/inner/?id\\_4=8252#top-content](http://russiancouncil.ru/en/inner/?id_4=8252#top-content)

<sup>9</sup> Somun H. *Turkish Foreign Policy in the Balkans and "Neo-Ottomanism": A Personal Account*. *Insight Turkey*. July–September 2011. No. 3(13), p. 33. URL: [http://file.insightturkey.com/files/pdf/insight-turkey\\_vol\\_13\\_no\\_3\\_-2011\\_somun.pdf](http://file.insightturkey.com/files/pdf/insight-turkey_vol_13_no_3_-2011_somun.pdf)

Stabilization also implies expanding the transit role of the Balkans as a bridge between Western Europe and the Western Asia. Today, we are seeing the modernization of trans-regional communications (Corridor X) and major ports (Albania's Durrës and Vlorë), and Chinese investors coming to the ports of Piraeus and Thessaloniki.<sup>10</sup> Regional arteries are also being built and modernized: the route from Belgrade to the Montenegrin port of Bar and Niš-Pristina-Durres.<sup>11</sup> In summer 2016, work was intensified on the Trans Adriatic and Ionian Adriatic gas pipeline project, which unites Greece, Albania and Croatia.<sup>12</sup> There is talk about modernizing Macedonian Railways.<sup>13</sup>

If successful, these projects could create a new system of relations and communications. Presumably, the roles of Serbia and Macedonia would expand, as they are countries with favourable terrain and have access to several major ports. The role of Kosovo, which, among other things, boasts significant mineral reserves, would also increase. Coastal Croatia could be of less importance in terms of transporting goods due to its rugged mountainous terrain and the remoteness of the port of Rijeka. Meanwhile, eastern Croatia has favourable prospects due its participation in Corridor X. In addition, Croatia could receive compensation in the event that the Trans-Adriatic gas pipeline goes ahead and the South Stream pipeline fails, as well as if gas is transited through Serbia. Bulgaria appears to be in a difficult position if it is left out of the Russian and Turkish transit projects that are showing signs of revival.

On the other hand, an interesting future could await Albania, which may possibly become a hub for different transit routes. It has an extensive coastline, major ports close to the Mediterranean, a growing population and cheap labour. Tirana and other cities are rapidly developing. It is entirely possible that in the next five years we will be “discovering” this country again.

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### **The status-quo achieved in the region in the 2000s would be satisfactory for Russia.**

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Obviously, the establishment of an integrated transport system implies an interest in maintaining stability in the region, strengthening existing political

<sup>10</sup> China's Harbor Purchase Is Luring Other Investors, Greece Says // Bloomberg. July 20, 2015. URL: <https://www.bloomberg.com/news/articles/2016-07-20/china-s-harbor-purchase-is-luring-other-investors-greece-says>

<sup>11</sup> Autoput Niš-Priština-Drač veza Koridora 10 s albanskim lukama // Novosti.rs. June 6, 2015. URL: <http://www.novosti.rs/vesti/naslovna/ekonomija/aktuelno.239.html:551696-Autoput-Nis-Pristina-Drac-veza-Koridora-10-s-albanskim-lukama>

<sup>12</sup> TAP Marks Start of Construction in Albania // Trans Adriatic Pipeline. September 30, 2016. URL: <https://www.tap-ag.com/news-and-events/2016/09/30/tap-marks-start-of-construction-in-albania>

<sup>13</sup> Li Keqiang Meets with Prime Minister Emil Dimitriev of Macedonia // Ministry of Foreign Affairs of the PRC. November 5, 2016. URL: [http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1413703.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1413703.shtml)

regimes and expanding regional cooperation. In particular, this involves actions to normalize relations between Serbia and Albania, including softening the position on Kosovo. Another possible effect may be an increase in Euro-scepticism among countries that find themselves on the side-lines of trans-regional projects. This could manifest itself in the form of political movements under the slogan of regionalism (granting more autonomy from the centre to individual countries or regions in these countries) or by creating alternative “central European” projects. For example, there is talk today about cooperation between Poland and Croatia in establishing a connection between the Baltic and the Adriatic.<sup>14</sup>

Looking back at history, we can see that the previous breakthrough in terms of modernization took place in the Balkans during the era of bipolar confrontation and brought stability to the region. Roads and tunnels were built in Yugoslavia at that time and remain in use by the current republic. However, today it seems we are closer to another scenario, from the 18th and 19th centuries, when the Balkans, being drawn into the sphere of influence of different empires, gradually became the periphery of Europe. Can we expect stability in the region amidst growing global competition? It is clear that the current elites are very much hoping for this and will make every effort to preserve the status-quo.

The status-quo could meet Russia’s interests as well if the positions established in the region in the 2000s are preserved and strengthened – above all in energy, the economy and investments – and if the current sufficiently high level of cooperation is maintained with Serbia and the Republika Srpska; the political climate normalizes in Montenegro; new rapprochement takes place with Croatia; and Russia takes part in economically attractive regional projects.

### **NATO-ization of the Balkans or answering Russia’s call**

An attempt at “forced stabilization” as a reaction to the general deterioration in the situation may be an alternative to stability based on a comprehensive settlement. Faced with the consequences of the crises in Afghanistan, Iraq and Syria (both the humanitarian and security aspects), the internal problems of the European Union, the changes in the United States and, of course, the noticeable differences in approaches to Russia regarding problems in Eastern Europe, and seeing no other alternatives, Brussels could shift to the more active use of military and political means as part of a rapid response to the situation.<sup>15</sup>

In 2014, Germany took the initiative to establish the Berlin Process, which aims to accelerate European integration, strengthen cooperation between the Balkans

<sup>14</sup> Newsletter of the Office of the President of the Republic of Croatia // Views and News. December 2, 2015. URL: [http://predsjednica.hr/files/NEWSLETTER%20VIEWS%20and%20NEWS\\_no%202.pdf](http://predsjednica.hr/files/NEWSLETTER%20VIEWS%20and%20NEWS_no%202.pdf)

<sup>15</sup> Russia and Europe: Escalated Alienation? 162nd Bergedorf Round Table (July 10–12, 2016) // Russian International Affairs Council. October 26, 2016. URL: [http://russiancouncil.ru/en/analytics-and-comments/analytics/rossiya-i-evropa-eskalatsiya-otchuzhdeniya/?sphrase\\_id=3161002](http://russiancouncil.ru/en/analytics-and-comments/analytics/rossiya-i-evropa-eskalatsiya-otchuzhdeniya/?sphrase_id=3161002)

and the European Union and combat Euroscepticism.<sup>16</sup> One of the first results was to renew Bosnia and Herzegovina's application for EU membership, which was adopted in September 2016.<sup>17</sup>

The latest NATO summits in Wales and Poland devoted considerable attention to the region: more than one tenth of the provisions of the final declarations (12 of 113 articles in 2014, and 15 of 139 articles in 2016) were directly or indirectly devoted to Southeast Europe. The following measures are likely to be taken in the region:

- The continuation of the policy of involving Montenegro in the European Union and NATO. Greater influence on non-aligned countries (Serbia, Bosnia and Herzegovina and Macedonia).
- A continued presence in Kosovo (Kosovo Force mission). Expanded relations between Kosovo and NATO in terms of the line of defence and security agencies. Continued pressure on Serbia to recognize Kosovo's independence and the further development of relations between Belgrade and Pristina.
- Maintaining the existing status of Macedonia established by the Ohrid Agreement of 2001.
- Raising the issue of the revising the Dayton Agreements on Bosnia and Herzegovina in connection with the latter's application to join the European Union in 2016. Reducing the role of entities and the unitarization of Bosnia and Herzegovina.
- Maintaining support for Ukraine, Georgia and Moldova. Increased presence in the Mediterranean, Aegean and Black seas.
- Creating a multinational Romania–Bulgaria military unit (based on the model of the Lithuanian–Polish–Ukrainian brigade), which will be deployed in Romania. Studying options for a sea and air presence in these countries.
- Continuing the policy of increasing military spending by NATO members. The final rejection of Soviet military technology over the next 5–10 years by NATO member nations.
- Capacity building of a missile defence system around segments in Poland, Romania and Turkey.
- Poland's rapprochement with Croatia and Romania within the framework of military and economic cooperation.

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**Poland's rapprochement with Croatia and Romania can be anticipated on the basis of economic interests.**

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<sup>16</sup> Conference of Western Balkan States // European Western Balkans. URL: <https://europeanwesternbalkans.com/tag/conference-of-western-balkan-states/>

<sup>17</sup> Council conclusions on the application of Bosnia and Herzegovina for membership of the EU // European Council. Council of the European Union. September 20, 2016. URL: <http://www.consilium.europa.eu/en/press/press-releases/2016/09/20-conclusions-bosnia/>

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The NATO Summit in Wales pointed out future challenges facing the armed forces of NATO countries: developing the ability to act on several fronts (“for simultaneous challenges”) and developing collective defence skills.<sup>18</sup> This requires greater preparedness and coordination from the armies of small countries, which may face the brunt of the combat load. I should note that this policy is already being reflected in the defence programmes of a number of countries that have increasing military spending, in particular Poland and Croatia, which plans for such spending to reach 2 per cent of GDP in 2018–2019 and to fully reequip its army by 2024.<sup>19</sup>

In order to implement this programme, the quality of armed forces and the controllability of allies must be improved. The resolutions adopted at the NATO Summit in Warsaw could serve as a definitive model in this case with respect to the northwest flank: the resolutions refer to the establishment of a programme for a framework partnership in which the “larger” NATO members take responsibility for ensuring “a multinational presence” in smaller countries (Canada–Latvia, Germany–Lithuania, the United States–Estonia, the United States–Poland) or the establishment of joint units with neighbouring countries (Bulgaria–Romania).<sup>20</sup> The advancement of such a “mandate system” along the southeast flank in the future cannot be ruled out, either.

We can also predict rapprochement between Poland and a number of Southeast European countries, above all Croatia and Romania. This will finally meet the economic interests of Warsaw, where there are projects for a Baltic–Adriatic partnership.

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**The leadership of most Eastern European nations is in favour of cooperation with the European Union and NATO, sometimes forgetting about their own national interests. This could end up intensifying the opposition.**

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Thus, the use of military and political means by Brussels may result from the need for a rapid response to the situation as well as the desire to deal with “problematic issues” in its own sphere of influence and strengthen the existing structure of relations in Southeast Europe in response to Russia’s actions, which

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<sup>18</sup> Wales Summit Declaration // NATO. September 5, 2014. URL: [http://www.nato.int/cps/ru/natohq/official\\_texts\\_112964.htm?selectedLocale=en](http://www.nato.int/cps/ru/natohq/official_texts_112964.htm?selectedLocale=en)

<sup>19</sup> In particular, the plan to develop the Croatian armed forces in 2015–2024 refers to the establishment of “smart” and “light” armed forces that are capable of rapid deployment to join primary forces or receive allied forces on their territory. See: Ministry of Defence of the Republic of Croatia. Document. Dugoročni plan razvoja Oružanih snaga Republike Hrvatske 2015–2024, p. 8, pp. 75–78. URL: <https://www.morh.hr/hr/zakoni-i-strategije/strategije/10670-dugorocni-plan-razvoja-oruzanih-snaga-republike-hrvatske-2015-2024.html>

<sup>20</sup> Warsaw Summit Communiqué. Articles 40–41 // NATO. July 9, 2016. URL: [http://www.nato.int/cps/en/natohq/official\\_texts\\_133169.htm?selectedLocale=ru](http://www.nato.int/cps/en/natohq/official_texts_133169.htm?selectedLocale=ru)

are considered a “fundamental threat”.<sup>21</sup> Consequently, the crisis between Russia and the West could be cause for a radical solution to a number of problems that were inherent in the resolution of the Yugoslav crisis. This does not negate continued economic integration since, as the events of 2014–2016 have shown, economic projects and political “mobilization” are evolving concurrently.

The territory of Serbia, Montenegro, the Republika Srpska and Bosnia and Herzegovina may become (and is already becoming) a potential source of problems. Since the 1990s, the West’s policy in the Balkans has been based on weakening the Serbian nation, which is the strongest and most oriented towards independent development, while at the same time supporting its neighbours, which have begun to realize their own national ambitions (Slovenians, Croatians, Bosnians, Albanians and Montenegrins). We should not forget that it is the Serbs who have historically resisted external influences more stubbornly than the rest (Fascistization, Sovietization and the NATO-ization of the Balkans), and that Serbia is located in perhaps the most important part of Southeast Europe. Today, however, the leaders of all the republics are focused on cooperation and compromise with Euro-Atlantic structures, sometimes to the detriment of their own national interests. Consequently, an increase in contradictions between the government and the opposition is likely. The growth in socioeconomic difficulties will only make these contradictions more pronounced.

Today there is a dilemma between preserving the existing borders and shifting or revising them within the framework of the European Union and NATO. The model that is chosen will depend on the following factors: the nature of relations between Russia and the West; the outcome of the Ukrainian crisis; Russia’s relations with the West and Turkey; and the growth in Euroscepticism in the Balkans. In general, positioning of “military guard duty” along the lines of contact with a potential enemy requires improved discipline behind the lines.

Attempting to find a model for cooperation between Russia and the West in the Balkans may be an alternative to this scenario. The region has undergone a major crisis and the memory of this crisis serves as a deterrent. On the other hand, there is both a confluence of interests as well as experience of cooperation between global players. Provided that Russia’s interests are observed, this creates a solid foundation for searching for compromises, as well as a universal model of cooperation that can be applied in other problematic areas.

## Scenarios of destabilization

### Transnational threats

This scenario can be viewed as the emergence of a local crisis in the region as general stability is restored. Such a situation is less likely today due to the failure to comply with the main condition – relations between leading global players are far

<sup>21</sup> Warsaw Summit Communiqué // NATO. July 9, 2016. URL: [http://www.nato.int/cps/en/natohq/official\\_texts\\_133169.htm?selectedLocale=en](http://www.nato.int/cps/en/natohq/official_texts_133169.htm?selectedLocale=en)

from exhausted. Nevertheless, the scenario cannot be discounted due to continued threats of a transnational nature (the migration crisis, the illegal transit of weapons and drugs, human trafficking and the export of radical Islam). The refugee crisis of 2015–2016 showed that without the ability to stop the crisis in its distant outskirts, Europe was forced to find a solution within its own periphery.<sup>22</sup> A repetition of such a scenario in its worst form would aggravate the crime situation, create “oases” of criminal activity and radicalism, and bring back disagreements between Western and Southeast Europe, as has been the case with the issue of accommodating refugees. The establishment of a “depressed zone” in the Balkans could open the door to regional problems that already exist in sufficient quantities.

Objective demographic, economic and political processes also pose a threat. A demographic crisis can be seen in almost all countries. Another trend is the increased proportion of the non-Slavic population in the Balkans, which creates prerequisites for altering the region’s borders.

We are also witnessing the crisis of liberal democracy as a universal ideology, which explains the existing form of cohabitation and smooths over differences. On the one hand, it threatens to undermine confidence in public institutions and political parties and increase Euroscepticism, nationalism and authoritarianism. On the other hand, it could give rise to anti-elitism and “Yugo-nostalgia,” thus paving the way for new left-wing ideas. Since February 2014, there have been serious protests in four countries (Bosnia and Herzegovina, Serbia, Montenegro and Macedonia). Croatia managed to successfully handle its parliamentary crisis; however, this resulted in the restoration of right-wing forces. However, Montenegro has entered into a new crisis following the parliamentary elections held on October 16, 2016.

The example of Montenegro and Serbia, where Eurosceptics managed to achieve some success in 2016, points to yet another trend – the divide between political forces does not pass through the line of the economy and internal politics, but exists with respect to the issue of inter-ethnic relations and foreign policy orientation. This means returning the region to the problem of choosing between the West and the East (“Euro-Atlanticism” and “multi-vectorism”) and the intensified battle against “ideological dissension” by the European Union if major stabilization fails to materialize.

### **Competition among national projects**

Finally, another way in which the situation may unfold is the resumption of regional conflicts as a result of the ongoing destabilization in the world today.

From an historical perspective, the current situation is nothing new: all the recent major international crises (1914, 1941 and 1991) led to the reconfiguration of

<sup>22</sup> Pivovarenko A. Hold Your Guard: Migration Crisis in South-East Europe // Russian International Affairs Council. January 12, 2016. URL: [http://russiancouncil.ru/en/analytics-and-comments/analytics/zashchishchaya-rubezhi-o-migratsionnom-krizise-v-yugo-vostoch/?sphrase\\_id=3161361](http://russiancouncil.ru/en/analytics-and-comments/analytics/zashchishchaya-rubezhi-o-migratsionnom-krizise-v-yugo-vostoch/?sphrase_id=3161361)

relations and changes of borders within the Balkans. In turn, the Balkan crises demonstrated how international tension had increased. In particular, the Serbo-Bulgarian War of 1885, the Bosnian crisis of 1908–1909 and the Balkan War of 1912–1913 were all the result of the half-hearted resolution of the international crisis of 1877–1878 and became a prologue to World War I. Nevertheless, both World War I and World War II were thrust upon the Balkans from the outside.<sup>23</sup>

Thus, general instability can also lead to a regional conflict as a result of internal factors arising from the logic of the development of nations and the failure to resolve a number of inter-ethnic issues. Essentially, each of the Balkan nations consists of its own national project. They have different starting points, objectives, perspectives and traditions. But today they are all undergoing the test of independence.

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### **The Albanian and Macedonian issues may lead to serious problems in relations between Bulgaria, Serbia, Albania and Greece.**

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The Serbian and Albanian issue is central here. These are the most fragmented nations. Serbs live in Bosnia and Herzegovina, Montenegro and partly still in Croatia. Albanians are present in Macedonia, Montenegro and southern Serbia. The Albanian population in Greece must not be forgotten either. At the same time, the difference in the dynamics of development must also be noted. Since the 1990s, the Serbian national movement has been in a state of decline: pressure from the international community; the consolidation of the current borders; emotional and psychological pressure and the demonization of Serbs in the 1990s have put the Serbs on the defensive and given rise to a serious internal political debate. Meanwhile, the Albanian movement, which began to gather momentum in the 1960s, was supported during the Yugoslav crisis by “Western peacekeepers” and achieved some success as seen in the autonomy of Kosovo and the equal status of Macedonians and Albanians through the Ohrid Agreement in Macedonia.<sup>24</sup> Thus, the movement is on the rise and is able to formulate ambitious ideas in the spirit of “Albanians have a right to live in one state.” However, there is a contradiction between the objective desire to implement a national programme and the existing borders supported by the West. Thus, we should not rule out a conflict of interests in this area. As a result, “the Albanian factor” remains one of the top challenges in Southeast Europe.

The Macedonian issue may also worsen. The internal problems of the Macedonian state (the growing Albanian and falling Macedonian populations, the fact that Bulgarian passports are routinely issued to Macedonian citizens, and tensions between the authorities and the opposition), combined with the “naming

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<sup>23</sup> Nikiforov K.V. *Serbia in the Balkans. 20th Century*. Moscow, 2012, p. 149.

<sup>24</sup> Guskova Y.Y. *NATO Aggression against Yugoslavia in 1999*. Moscow, 2013, pp. 18–34.

■ Alexander Pivovarenko

problem” and the “Albanian factor” could lead to a serious crisis, which would place the problem in the broad context of relations between Bulgaria, Serbia, Albania and Greece. Such a conflict could aggravate relations between Russia and the West due to the recent analogous events in Kosovo and Crimea and the emergence of a threat to Slavic Orthodox people in the Balkans whose fate attracts special attention from Russian society.

Today, a traditional military conflict in the Balkans does not seem so likely. First, there are more conflict-prone zones around the world where the interests of the major superpowers overlap to a greater extent. Second, the current political elites are not likely capable of this. Neither is the general population, which does not want a repeat of the military conflicts of the past (particularly in Bosnia and Herzegovina). Third, physically, there are fewer weapons in the region than in the 1990s since there are “ceilings” on the amount of weapons allowed according to NATO standards and international agreements.<sup>25</sup>

However, this does not entirely preclude the conflict scenario. First, weapons restrictions cannot serve as an absolute guarantee if conflict points exist. Second, processes are under way to beef up armies, particularly in Serbia and Croatia. Third, there are paramilitary structures such as Albania’s Kosovo Liberation Army and National Liberation Army, whose leaders are currently integrated into the political system of Kosovo and Macedonia. Lastly, there are institutional forces (the police of Republika Srpska) as well as fanatic, criminal and extremist groups that can rapidly organize into armed groups under certain circumstances. Meanwhile, the wars of 1941–1945 and the 1990s show that terrorist, guerrilla and “indirect approaches” (as defined by B. H. Liddell Hart) are more effective for a number of reasons.<sup>26</sup> Finally, history has demonstrated that a conflict in the Balkans does not necessarily have to be prolonged or bloody in order to create tension or a chain reaction.

<sup>25</sup> In particular, the Dayton Agreement (Appendix 1B, Article IV) established a very specific weapons ceiling. See: International Organizations and the Crisis in the Balkans. Documents.V. 3. Compiled and edited by Guskova Y.Y. Moscow, 2000, pp. 229–231.

<sup>26</sup> For details see Liddell Hart B. H. Strategy: The Indirect Approach. Pentagon Press; Reprint edition, 2012, 420 p.

## Belarus 2021: Forecasts and Prospects

*Aleksey Dzermant*

*External factors and changes in the structure of the Belarusian economy will affect the domestic political model one way or another.*

### Domestic policy

Several levels of change will take place in Belarus in the period up to 2021.

The first and highest level is that of the president. Alexander Lukashenko is unlikely to propose a successor. Nor will he step down as head of the country in 2020. He will most likely be in good health to be capable of continuing to rule the nation. There are plenty of arguments to support this point of view. First, there is no evidence that preparations have begun for a systematic reform, which is what we would normally see before a change of power. Moreover, Lukashenko's health and age will enable him to remain in power; he has another 15 years in him yet.

The next level is legislature. Questions about reforming the country's party system are constantly being raised in Belarus. First, President Lukashenko said in an interview that he is willing to consider a reform of the Constitution, since change is overdue in Belarus. He did not provide any specific details, but said that reforms were possible. There have also been proposals for changes to the legislature from the Liberal Democratic Party of Belarus (LDPB) and its leader Sergei Gaidukevich.

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**Alexander Lukashenko is unlikely to propose a successor. Nor will he step down as head of the country in 2020.**

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Such a reform would above all entail changes to the electoral system, which would move away from a majority system and become a mixed system. In other words, parties would be able take part in the elections (elections would be based on party lists). Second, it is believed that the powers of parliamentary deputies will be extended from four to five years. And third, the presidential term is to be extended from five to seven years. These proposals could be some sort of PR action by the LDPB, but I believe there is nevertheless something greater behind it – the Belarusian political class' desire to revitalize the political system by including parties in party lists in the battle for parliamentary seats.

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**Questions about reforming the country's party system are constantly being raised in Belarus.**

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■ Aleksey Dzermant

It is quite possible that if a referendum is initiated closer to 2020, it will concern changes to the party system. Such measures could diversify Belarusian political life and help to ensure that charismatic speakers and young leaders emerge in parliament. If a reform takes place, the Belarusian party system would resemble the one already in place in Russia: a kind of pro-presidential movement would be established that would unite key officials and politicians. The Belaya Rus social movement could perform this role in the future. Belarus has both communists and liberal democrats who could also count on a segment of public support and join parliament.

However, the bigger question is what kind of future the non-systemic opposition faces. Very few of them made it to the current parliament and I am not sure that they will be able to form a real political structure that would enjoy support in the future parliament, which will be elected in five years. I predict that they will not likely make it. They will fail to reach an agreement and, just like always, they will hold debates of some kind or other, but only a few representatives will end up in parliament. At this point, they will take on a conceptual-based position against the authorities and what is happening. However, they are unlikely to make it through as party-based structures. Although if it becomes clear that party building has commenced, they will become very active and their external support will intensify, above all from Western Europe. The centre-right forces will probably want to have their own party partners in Belarus, but it is unlikely that they will be able to muster support from voters.

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On the other hand, there is a risk that parliament could be destabilized. Proposals to increase the presidential term, in turn, suggest that Lukashenko will remain in power.

### Economic situation

A search is currently under way to find new markets and diversify the economy. This is because the Belarusian economy is primarily export-oriented, but it is also due to the crisis and the decline of the Russian and Ukrainian markets, which are some of the primary markets for Belarusian products. That is to say, this is a forced measure. If I had to predict what will ultimately occur, I believe that things will most likely stabilize considering current trend in the Russian economy, with growth most likely to be expected. Given that the situation in Russia will improve, all the other options for Belarus will be secondary.

Attempts to build relations, above all economic relations, on a pragmatic basis with Western Europe and the United States will go nowhere. Individual, selective projects and growth points are possible, for example between Belarus and France. They are possible, but will not provide a holistic picture and will not have an impact in terms of modernizing entire industries in Belarus. Meanwhile, strengthening relations with Russia in certain areas could be extremely beneficial.

Of course, this primarily concerns the military-industrial complex. In addition to this, despite all the difficulties in the energy sector, I think that an arrangement will be worked out, and Russia and Belarus will find common ground in this area as well. What is more, the second unit of the Belarusian nuclear power plant will be launched in 2020. Over these four years, there will be a serious struggle for the energy markets of Central, Eastern and Northeast Europe. And I believe that, since Belarus will build the nuclear power plant with Russia's help, it will ultimately be the country's only energy surplus. As for the situation in 2020, judging from different trends, this energy will most likely be in high demand in Northern Europe, Germany, the Baltic countries and Poland. This means that, by 2020, Belarus will have a real chance to become a regional energy leader. To achieve this, however, the country must successfully defend its rights to build the plant and hold negotiations with Poland, Sweden and perhaps the Baltic countries concerning exports. These are complex negotiations, since the interests of the European Union, Brussels, Warsaw and Vilnius are all intertwined.

In addition, industrial policy is extremely important for Belarus. If Minsk manages to reach an agreement with Russia within the framework of the Union State and the Eurasian Economic Union (EAEU) and engage in closer industrial cooperation, that is all Belarus needs.

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China is the third factor. The current five-year plan has laid the foundation for serious cooperation between Belarus and China. Above all, this includes the Belarus–China industrial park “Veliky Kamen” (Great Stone), which should finally reach its full capacity by 2020. Cooperation with China may also play a positive role in developing the Belarusian economy. In addition, a logistics hub – on which China is counting – should be established within five years, and I believe there is a high likelihood that it will pass through Belarus. In this case, Belarus will truly be able to generate revenue from transit as well as through the manufacturing of products at this park.

## Foreign policy

Russia will be Belarus's priority partner. There will be difficulties, conflicts and disputes, but Russia cannot be replaced in this regard, because it will be experiencing a growth trend and Belarus will not remain on the side-lines. Belarus will definitely take part in this by virtue of its historical context.

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**Perhaps cooperation with China will also play a positive role in developing the Belarusian economy.**

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China is probably second in terms of priority foreign policy partners. In addition to cooperation within the Shanghai Cooperation Organisation and the sizeable number of Chinese projects in Eastern Europe as a whole, there are hopes for the integration the EAEU and the Silk Road Economic Belt.

Then, of course, there is Western Europe and the European Union. Things are more unpredictable here because the European Union itself is currently undergoing a development crisis. I think Belarus will look for partners that do not seek to advance an ideological agenda.

There has currently been a warming of relations with Poland. If Poland maintains a conservative, moderately Eurosceptic trend, Warsaw will have an entirely different perception of Belarus, which is supported by Russia and China (and this is the sole reason why Poland would be interested in Belarus). In this case, things could be configured to involve Poland, which will pursue its own policy within the European Union, defending its identity and own interests.

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**Belarus will look for partners that do not seek to advance an ideological agenda.**

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As for Germany, it will most likely maintain the political status-quo. Neither left-wing nor right-wing Eurosceptics will gain any decisive influence by 2020, and Germany will continue to fight for influence in Belarus, both political and ideological. Such relations cannot fully satisfy Minsk.

Relations with other partners will depend on how radical the political changes are in these countries. Above all, I am referring to France and Italy. If the trend of revising the status-quo takes hold there, a window of opportunity will open for Belarus.

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**It is difficult at present to predict the EU's reaction to a hypothetical referendum on extending Lukashenko's powers, but I think it would be different than before.**

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Maintaining the status-quo among the elite, particularly in Brussels and Berlin, is a tougher option for Belarus because they make ideological- and value-based complaints against the political regime and Minsk would have to exert a lot of effort to neutralize criticism. For example, it is difficult at present to predict the European Union's reaction to a hypothetical referendum on extending Lukashenko's powers, but I think it would be different than before.

### Ukrainian crisis

Unfortunately, as the situation in Ukraine deteriorates, Belarus–Ukraine relations will also suffer. Recently, we have witnessed a series of incidents involving relations between the two countries: first we had the threats from the Ukrainian side that they would shoot down a Belarusian plane; and then we had Ukraine's negative reaction to Belarus's vote in the UN on whether human rights violations are occurring in Crimea. It seems to me that the Ukrainian authorities were unsure about Belarus in the past. Perhaps the cautious, peace-keeping position by Belarus struck a chord and resonated during the difficult situation that has unfolded in the past few years. However, the public itself (particularly the Ukrainian elite) will become more radicalized and there will be progressively less space for a positive image of Belarus.

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**Unfortunately, as the situation in Ukraine deteriorates, Belarus–Ukraine relations will also suffer.**

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I would not rule out extremely drastic changes in Ukraine itself. First, the United States is likely to turn its attention away from Ukraine. And this means that uncontrollable processes will take place in the country. Personally, I see a threat of extremely radical neo-Nazi forces expanding there. In this regard, a clash with Russia and Belarus is almost inevitable. At best, we will be able to protect the border. At worst, if ultra-nationalist neo-Nazi forces take over part of Ukrainian territory, we will confront them militarily.

If the United States, the European Union and Russia (perhaps with mediation by Belarus) manage to ward off this threat, however, a window of opportunity will open for Belarus. Minsk would be able to take part in providing economic support to Ukraine and take on part of the responsibility for settling the Ukrainian crisis.

## Georgia: a Time of Anticipation

Nikolay Silaev

*Tbilisi will not be observing the 30th anniversary of the collapse of the Soviet Union. Georgia dates its recent history from April 9, 1991 (rather than December 25), when the act on the restoration of independent statehood was adopted.<sup>1</sup> Like many other former Soviet republics, Georgia does not want to include any mention whatsoever of the USSR in its official national calendar and speaks about its independence not in a passive manner as a consequence of the collapse of a major country, but in an active manner as the result of a struggle for liberation.*

Like many other post-Soviet countries, such evasion is not easy for Georgia. The new national mythology, which has no place for Russia or the Soviet Union, is having a hard time emerging. The ties that the Georgian elite had forged with Russian and Soviet statehood over the past two to three centuries were especially strong. It is difficult to eliminate this from the national historical narrative. Georgia is not particularly comfortable recalling this fact, as it plans to join NATO and considers Abkhazia and South Ossetia to be “occupied territories.” The Georgian National Museum does not have a single exhibit devoted to the 19th and 20th centuries. The country does have a Museum of Soviet Occupation, though, but it is clearly not enough to comprehend the Soviet era. This is easily felt as you emerge from the shadows where photos of people who were executed and exiled stare at you onto sun-drenched Rustaveli Avenue, which was built up by the occupying powers as the main street of one of the imperial capitals.

There is no reason to expect Georgia to have a clearer vision of its own past by the 30th anniversary of the country’s independence.

The first quarter century of its restored independence has been full of disappointments. It appears now the country is trying not to avoid becoming spellbound. The rhetoric emanating from the government authorities about choosing Europe has started to sound like a ritual formula. However, no other attractive alternative has been proposed to date. Muscovites are thrilled about Georgia reopening its borders as a tourist destination, but it appears that Moscow is not officially planning to do anything significant to gain Georgia’s goodwill.

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**A series of disappointments over the 25 years of Georgia’s state independence has forced the country to become more pessimistic towards association with the European Union and Russia.**

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<sup>1</sup> Conflicts in Abkhazia and South Ossetia. Documents 1989–2006. Moscow, Russian Panorama, 2008, p. 50.

Ten years ago, the world was perfectly clear to the Georgian political class. On the one hand, there was Russia, which was slowly heading towards total collapse. On the other hand, there was the rapidly growing West, which was incorporating more and more countries from the former Eastern Bloc and the post-Soviet space into its international institutions. The hope was to hop on the bus leaving for Brussels, while grabbing the autonomous territories it had lost in the 1990s – Abkhazia and South Ossetia – along the way. Since that time, it has become clear that the ticket Georgia purchased does not guarantee a seat on the bus, that not all passengers would have as comfortable a seat as the travel agency’s booklet promised, and that in general it would be necessary to walk to Brussels on a dusty road and leave behind its baggage in the form of the former autonomous states. Georgia was the sole reason for the sharp clash between Russia and the West in 2008. Thanks to solid diplomacy – we must give credit where credit is due – it avoided getting dragged into the even more acute conflict between the two in 2014–2016 and now is simply waiting to see how events unfold. The Georgian political class has learned how to gain experience from its mistakes. It has succeeded in passing off what outsiders would probably refer to as confusion about the future as “strategic patience.”

### Moderate growth

The agreement on a free trade zone with the European Union is strongly overestimated as an instrument for Georgia’s economic development. It clearly benefits the few competitive Georgian companies that have gained easier access to the vast EU market. The problem, however, is that there are few items on the conditional list of goods which Georgia can offer European consumers. The most successful Georgian companies are now supplying their products to the European Union, but they are working in niche markets: there are some successful agricultural producers; a small number of food industry enterprise have taken off; and certain companies have been able to sell unique wine to Western European connoisseurs. But the volume and turnover required for rapid economic growth are not emerging from this. Niche products are a perfect complement to mass production, but they cannot replace it.

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**Despite declarations that European countries are Tbilisi’s main economic partners, Georgia’s primary goal will be preserving trade in the post-Soviet space.**

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In addition, imports are increasing on the heels of Georgian exports to the European Union. Georgia is already suffocating from its enormous trade deficit (which totalled \$5.5 billion in 2015, or more than twice the amount of total exports from the country).<sup>2</sup> Expanding exports to the European Union will not resolve this problem if imports grow in parallel.

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<sup>2</sup> National Statistics Office of Georgia. External Trade. URL: [http://www.geostat.ge/index.php?action=page&p\\_id=134&lang=eng](http://www.geostat.ge/index.php?action=page&p_id=134&lang=eng)

In addition, imports are increasing on the heels of Georgian exports to the European Union. Georgia is already suffocating from its enormous trade deficit (which totalled \$5.5 billion in 2015, or more than twice the amount of total exports from the country). Expanding exports to the European Union will not resolve this problem if imports grow in parallel.

For this reason, the gap between declared and actual facts will continue in the economic policy of the country's authorities in the coming years. According to the declarations, Georgia's key partners are located in the West. In practice, though, Georgia and its companies will go to great lengths not to lose post-Soviet markets and increase their presence therein. Things are simpler on these markets in terms of standards, and favourable consumer habits exist for Georgian manufacturers. The food embargo which Russia has imposed on EU countries and which remains valid for a number of goods from Turkey helps Georgian companies to strengthen their positions on the Russian market, at least theoretically. Perhaps for the first time in its post-Soviet history, Georgia can benefit from a political confrontation between Moscow and Brussels instead of being threatened. Clearly, Russia is not planning to cancel the embargo any time soon, so Georgian companies will continue to reap the benefits for a few years. This could attract Russian investment to Georgian agriculture, which still remains chronically underinvested. However, for now the Georgian authorities have shown no interest in such prospects.

Russia will also remain one of the largest sources of remittances to Georgia. The country's negative trade balance will be partly compensated by the Russian labour market. The flow of Russian tourists to Georgia will likely remain a significant economic factor as long as they are not scared off by the practice of applying the law on occupied territories, under which any person who is suspected of visiting Abkhazia or South Ossetia may be subject to criminal investigation immediately upon crossing the Georgian border. Evidently, the country will continue to work simultaneously on the EU and Russian markets, maintaining a balance between them and trying to find new customers, particularly in China.

At the same time, Georgia will not likely be able to significantly alter its geo-economic status as a small-scale agricultural producer and recipient of international payment systems. Georgia has lost all the benefits of Soviet industrialization. It has too few resources – financial, organizational and human resources – for a new wave of industrialization. It would be extremely naïve to expect cooperation with the European Union to create the conditions for industrialization: Brussels is pursuing exactly the opposite policy with respect to its eastern outskirts.

### New leadership regime

Following the October 2016 parliamentary elections in Georgia in, the ruling Georgian Dream party gained a constitutional majority.<sup>3</sup> Parties that had previously part of a coalition with Georgian Dream, but which took part in the elections

<sup>3</sup> Election Administration of Georgia. Elections – 2016. URL: <http://cesko.ge/eng/elections/2016>

independently (for example, the Republican Party and the Free Democrats), did not get any seats in parliament. The ruling party, which seemingly lacked charismatic leaders and ran without its coalition partners, performed far better in the elections that it did four years ago, with the help of its partners. The United National Movement (UNM) retained its role as the leading opposition party, but it has minimal weight in parliament. For the ruling party, the UNM will remain a convenient sparring partner which can always be used in campaigns as a negative example, but which cannot pose a real threat. The Alliance of Patriots, a conservative and Euro-sceptic force that gained representation in parliament, will be looked down upon by both Georgian Dream and the UNM as a “fringe” party. The overwhelming victory by Georgian Dream has given its unofficial leader, billionaire Bidzina Ivanishvili, unquestioned political leadership. It demonstrated that, ultimately, Ivanishvili has complete control over the political situation in Georgia. Enduring the Rose Revolution of 2003, and through the defeat of Mikheil Saakashvili and his party in the 2012 parliamentary elections, Georgia has entered into a new version of the political leadership regime. Ivanishvili is the fourth post-Soviet Georgian ruler, following Zviad Gamsakhurdia, Eduard Shevardnadze and Mikheil Saakashvili. What makes Ivanishvili different is that he does not hold any public positions. The political regime in Georgia is much milder than it was under Saakashvili and in general government institutions are stronger than they were under Shevardnadze. But there should be no doubts about who is in charge in Georgia following the recent parliamentary elections.

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**The main paradox of the changes made in Georgia is that the reforms approved by Brussels will be carried out under the leadership of billionaire Bidzina Ivanishvili.**

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An irony of history is that in the three countries which are most actively involved in the European Union’s Eastern Partnership programme and which enthusiastically signed an Association Agreement with Brussels, rich or super-rich individuals will play a major and sometimes decisive political role. The extremely wealthy businessman Petro Poroshenko is President of Ukraine, and the most influential politician in Moldova is oligarch Vladimir Plahotniuc. Among these individuals, Bidzina Ivanishvili appears to be the most effective. After all, none of his colleagues in the “Euro-aspiring” countries can say that they have a constitutional majority in parliament. He would also seem to be the most honest: for now, there is no reason to believe that he is using Georgian statehood to extract revenue from corruption activities.

Georgia will apparently stand out among other countries that have signed Association Agreements with the European Union in terms of the quality of reforms and its efforts to fulfil the tasks assigned by Brussels. It is curious that the current

regime of personal power does not actually hinder Georgia from carrying out the judicial reform that the European Union has approved.<sup>4</sup> Ivanishvili reacted quite quickly to corruption scandals in the government by seeking to dismiss ministers under suspicion. The change in power in Georgia in 2012 did not lead to the redistribution of property, as is often the case in post-Soviet countries. It is likely that the paradox in which the EU-sponsored reforms will be carried out by a political force that is under the decisive informal influence of its billionaire founder will continue in the coming years.

Neither Brussels nor Georgian voters will attach any significance to this paradox. The new version of the political leadership regime may survive in Georgia for many years. Economic growth continues, albeit moderately, at 3 per cent based on the first two quarters of 2016.<sup>5</sup> Corruption is modest by the region's standards. The political regime compares favourably with Saakashvili's heavy-handed governance. Ivanishvili has proved to be a flexible and adaptive politician. For example, he managed to harness the trend of conservative sentiments that are intensifying in Georgia and other countries by altering the campaign rhetoric of Georgian Dream. External players have had the opportunity to make sure that the Ivanishvili-controlled Georgian Dream is truly the one holding power in Georgia, and there is no point in the foreseeable future to expect any other forces to come to power in the country. There are numerous causes for discontent and frustration among voters, but none of them are strong enough to bring about drastic political changes in the country. Georgia can most likely expect to have several calm, perhaps even boring years, depending on how one prefers to see the situation.

### Foggy alliances

NATO is hesitant in its relations with Georgia. Brussels, Washington and major Western European capitals likely view the provision of security guarantees to Georgia by NATO when Russian troops are located in Abkhazia and South Ossetia as too dangerous of a step. But the alliance must demonstrate – and not even so much to Georgia as to Russia – that it will continue to expand and is not closing its doors to the former Soviet republics.

This translates into searching for forms of cooperation with Georgia that would demonstrate progress, but which would not entail providing the country with security guarantees. For example, opening a joint training centre or incorporating two Georgian squadrons into the NATO Response Force. In addition to NATO, the United States is also contributing to this policy. The United States has been holding

<sup>4</sup> EU–Georgia Parliamentary Association Committee Recognizes Progress in Georgian Reforms // EADaily. April 27, 2016. URL: <https://eadaily.com/ru/news/2016/04/27/komitet-parlamentskoy-associacii-es-gruziya-priznal-progress-gruzinskih-reform>

<sup>5</sup> National Statistics Office of Georgia. Gross Domestic Product. URL: [http://www.geostat.ge/index.php?action=page&p\\_id=119&lang=eng](http://www.geostat.ge/index.php?action=page&p_id=119&lang=eng)

the annual “Noble Partner” bilateral US–Georgia exercises in Georgia since 2015, with US military equipment deployed from Romania to Georgia for this purpose.

Georgia’s continued rapprochement with NATO, as well as expanded military cooperation with the United States on a bilateral basis, creates some risks for Georgia, the region and NATO itself. First, the alliance could end up in a situation where the totality of steps taken with respect to Georgia (which, taken by themselves, do not seem to be significant) results in a qualitative change to the situation. Georgia will be given an advance which de facto makes NATO responsible for its security. For example, how would Georgia’s involvement be interpreted in the NATO Response Force in the event of a hypothetical conflict in Abkhazia? There is uncertainty here which, while not posing a threat in the current conditions, could be capable of becoming a source of risk in the future.

Second, Georgia’s military cooperation with the United States could be regarded as a guarantee from Washington based on the same principle. US–Georgia relations are such that the United States could in principle commit to ensuring Georgia’s security separately from its NATO allies. If we assume that the US military equipment and soldiers deployed to Georgia for the Noble Partner exercises remain Georgia for a period longer than the usual three to four weeks, this could be interpreted as the United States stationing its forces in Georgia. Given the enormous influence that the United States has on Georgia, it would not be difficult for the country to get the Georgian authorities to consent to a US military presence. Obviously, this would trigger an extremely negative reaction from Russia.

For Georgia, this means that, in the coming years, the issue of the mechanisms for ensuring the country’s security while at the same time holding onto international guarantees would cause serious contradictions. The prospect of NATO expansion will continue to hinder both the establishment of such guarantees and the resolution of political conflicts between Georgia and Russia. At the same time, we must admit that the Georgian political class has learned to exist in such an environment without resolving the conflicts, but also not letting them reach a dangerous level. Since there is no reason to hope that Russia and NATO, or Russia and the United States, will reach some agreement on sustainable European security, this hard-won skill will remain useful to Georgia for a long time.

# Kazakhstan 2021: Economic Opportunities for Future Development

Elena Kuzmina

*Kazakhstan is Russia's largest partner in the post-Soviet space and it has the second largest economy in the Eurasian Economic Union (EAEU). The Russia–Kazakhstan border is the longest land border in the world and on the whole is quite transparent. There is no customs border between the two countries. Given that the neighbouring state is located between Russia and the turbulent region of Central Asia and the Middle East, Kazakhstan serves as a buffer zone that keeps certain threats to Russia's security from the south out. All of these factors compel us to closely monitor the republic's future development.*

## The situation in the Kazakh fuel and energy sector

The most important sector of Kazakhstan's economy is the oil industry. In Kazakhstan, 50 per cent of budget revenue is generated by income from the oil industry,<sup>1</sup> which employs a significant labour force. For more than 15 years, the oil industry has helped to increase state revenue and strengthened the stability of the country's social sector. It has also as created the opportunity to invest funds from the Samruk-Kazyna Sovereign Wealth Fund, which accumulates revenue from the fuel and energy industry, in other sectors of the economy.

However, the situation began to change in 2014. First, Kazakhstan has seen a decline in oil production, from 82 million tonnes in 2013 to an anticipated 75–77 million tonnes in 2016.<sup>2</sup> Second, hydrocarbon prices took a sharp dive in 2015 and are not expected to return to their previous levels. Alpari senior analyst A. Bodrova believes the average price of Brent oil will be roughly \$39.60 per barrel in 2016 and no more than \$41 per barrel in 2017.<sup>3</sup> Most analysts believe this will be a long-term trend. This means that state revenue will not grow as substantially in subsequent years and the possibilities for maintaining the level of social protection of the population may stagnate, or even start to decline.

<sup>1</sup> Tumashova Y. What is Hinderling Investment in Kazakhstan's Oil Industry? // Capital. October 6, 2016. URL: <https://kapital.kz/finance/54197/chto-meshaet-privlecheniyu-investicij-v-neftyanu-kazahstana.html>

<sup>2</sup> Tumashova Y. What is Hinderling Investment in Kazakhstan's Oil Industry? // Capital. October 6, 2016. URL: <https://kapital.kz/finance/54197/chto-meshaet-privlecheniyu-investicij-v-neftyanu-kazahstana.html>

<sup>3</sup> Will the People of Kazakhstan Get Richer from Kashagan Oil? // Tengri News. October 25, 2016. URL: [https://tengrinews.kz/kazakhstan\\_news/stanut-li-kazahstantsyi-bogache-ot-nefti-kashagana-304757/](https://tengrinews.kz/kazakhstan_news/stanut-li-kazahstantsyi-bogache-ot-nefti-kashagana-304757/)

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**The economy of Kazakhstan generates 50 per cent of its revenue from the oil industry. Low oil prices will not be conducive to the country's rapid economic growth, which could affect spending on social protection.**

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One of the objectives set by the government for the medium term is to increase oil and gas production, primarily at the major fields of Tengiz, Karachaganak and Kashagan. Karachaganak Petroleum Operating B.V. and Tengizchevroil already account for half of all production in Kazakhstan. The Tengizchevroil consortium plans to invest up to \$37 billion in expanding production at the Tengiz field starting from 2017.<sup>4</sup> Production at the Kashagan field commenced in the first half of October 2016. The Ministry of Energy of the Republic of Kazakhstan expects a minimum of 500,000 tonnes of oil to be produced at the field in 2016, and up to 1 million tonnes in the best-case scenario.<sup>5</sup> The volume for 2017 has been set at a range of 4–7 million tonnes. While the field is one of the largest in the world (with recoverable oil reserves of 9–13 billion barrels and natural gas reserves of more than 1 trillion m<sup>3</sup>), it is also one of the most costly in terms of development.<sup>6</sup> Advanced technologies are required to develop the field, and oil production only began 11 years after the planned launch in 2005 due to its complex structure. The project was put into operation twice in 2013, but was stopped both times due to gas leaks from numerous micro cracks in the pipeline that appeared as a result of associated gas with a high sulphur content being exposed to the metal. In April 2014, the operator of the project – North Caspian Operating Company (NCOC) – confirmed that all of the gas and oil pipelines at the field (roughly 200 kilometres of pipeline) needed to be replaced.<sup>7</sup> Despite all the work that has been carried out, specialists cannot offer full guarantees with respect to stable production at the field.

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**Kazakhstan will expand oil and gas production in the medium term.**

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However, experts in Kazakhstan believe that, despite the lower oil prices and high operating costs, the export of Kashagan oil will have a positive effect on the country's GDP: related facilities and infrastructure will have to be built, which also

<sup>4</sup> Tengizchevroil to Spend up to \$37 Billion on Tengiz Project // Forbes Kazakhstan. May 25, 2016. URL: [http://forbes.kz/process/energetics/tengizshevroyl\\_napravit\\_do\\_37\\_mlrd\\_v\\_proekt\\_tengiz](http://forbes.kz/process/energetics/tengizshevroyl_napravit_do_37_mlrd_v_proekt_tengiz)).

<sup>5</sup> How Much Oil Does Kazakhstan Expect to Receive from the Kashagan Field? // Zakon.kz. October 27, 2016. URL: <https://www.zakon.kz/4825623-skolko-nefti-kazakhstan-ozhidaet-ot.html>.

<sup>6</sup> Will the People of Kazakhstan Get Richer from Kashagan Oil? // Tengri News. October 25, 2016. URL: [https://tengrinews.kz/kazakhstan\\_news/stanut-li-kazahstantsyi-bogache-ot-nefti-kashagana-304757/](https://tengrinews.kz/kazakhstan_news/stanut-li-kazahstantsyi-bogache-ot-nefti-kashagana-304757/)

<sup>7</sup> NCOC: Commissioning and Testing Process Begins at Kashagan // Oil & Gas Vertical. September 29, 2016. URL: [http://www.ngv.ru/news/ncoc\\_na\\_kashagane\\_nachalsya\\_protssess\\_puskonaladki\\_i\\_ispytaniy/](http://www.ngv.ru/news/ncoc_na_kashagane_nachalsya_protssess_puskonaladki_i_ispytaniy/)

means new jobs will be created.<sup>8</sup> The international financial services company Standard & Poor's has also predicted that the Kazakh economy will demonstrate growth, albeit very moderate, starting in 2017 as a result of improved export figures caused by a gradual increase in oil prices and the opening of the Kashagan field.<sup>9</sup>

Other analysts believe that Kashagan will only be successful if there is demand for its products.<sup>10</sup> Most companies still view the period of low oil prices as a necessary pause in development and production and continue to adhere to the previous development strategies while focusing on positive long-term forecasts. This could wreak havoc on companies and consequently affect the entire economy and the welfare of citizens.

### Development of the transport infrastructure and transit tariff issues

Understanding the complexity of the situation in the national fuel and energy sector and attempting to diversify the economy and overcome related economic difficulties, the Kazakh government attaches great importance to the intensive development of the transport infrastructure and turning the republic into a transit hub.

Thanks to its membership in the Eurasian Economic Union, Kazakhstan will be able to receive favourable unified transport tariffs throughout the entire Union. This will allow the country to utilize its transit potential more profitably, which in turn will expand opportunities for integrating the country into the world economy. This specific goal is outlined in all government documents that deal with development.<sup>11</sup> The transport infrastructure must contribute to the expansion of production, increase production capacity and boost trade turnover both inside the country and abroad.

The process of unifying railway transit tariffs in the Eurasian Economic Space has already begun. According to a decision by the Eurasian Economic Commission (EEC) on the harmonization of transit tariffs, the unified tariff will be \$19.44 per tonne over 500 km for sea freight transportation and \$33.76 for transit freight.<sup>12</sup>

<sup>8</sup> Will the People of Kazakhstan Get Richer from Kashagan Oil? // Tengri News. October 25, 2016.  
URL: [https://tengrinews.kz/kazakhstan\\_news/stanut-li-kazahstansyi-bogache-ot-nefti-kashagana-304757/](https://tengrinews.kz/kazakhstan_news/stanut-li-kazahstansyi-bogache-ot-nefti-kashagana-304757/)

<sup>9</sup> S&P Projects 1.5% Growth in Kazakh GDP in 2017 // Capital. September 12, 2016.  
URL: <https://kapital.kz/economic/53542/s-p-prognoziruuet-rost-vvp-kazahstana-v-2017-godu-na-1-5.html>

<sup>10</sup> Will the People of Kazakhstan Get Richer from Kashagan Oil? // Tengri News. October 25, 2016.  
URL: [https://tengrinews.kz/kazakhstan\\_news/stanut-li-kazahstansyi-bogache-ot-nefti-kashagana-304757/](https://tengrinews.kz/kazakhstan_news/stanut-li-kazahstansyi-bogache-ot-nefti-kashagana-304757/)

<sup>11</sup> Strategies and Programmes of the Republic of Kazakhstan // Official website of the President of the Republic of Kazakhstan. URL: [http://www.akorda.kz/ru/official\\_documents/strategies\\_and\\_programs](http://www.akorda.kz/ru/official_documents/strategies_and_programs)

<sup>12</sup> Kazakhstan's Membership in the EAEU is a Real Replenishment of the State Budget // Atameken – The National Chamber of Entrepreneurs of the Republic of Kazakhstan. May 5, 2014. URL: <http://palata.kz/ru/news/4323-4323>

While in the past, Russian Railways applied a unified tariff for the transit of Kazakh freight via Russia with access to Russian ports, Kazakhstan Temir Zholy will now apply a unified tariff in the event that Russian or Belarusian freight is transited via Kazakhstan with access to Port Aktau. As a result, Kazakh consignors will enjoy average savings of \$14.32 per tonne transported.<sup>13</sup> This issue is currently being discussed by EAEU members.

### Expanded cooperation with China

Bilateral cooperation between Kazakhstan and China should aid the development of Kazakhstan's transit potential. This cooperation is developing within the framework of the integration of the Chinese Silk Road Economic Belt initiative and the Kazakh national programme Nurly Zhol. This is precisely what the agreements reached by Kazakhstan and China in 2016 aim to accomplish. The Silk Road Economic Belt project and the Nurly Zhol programme are virtually identical on matters concerning freight transit from China via Kazakhstan as well as on the development of the transport and logistics infrastructure in Kazakhstan.<sup>14</sup> China grants substantial loans for the integration project and is prepared to finance projects that are designed to be implemented as part of the Silk Road Economic Belt project and the Nurly Zhol programme.<sup>15</sup> A roadmap has been formed for expanding cooperation between Kazakhstan and China in almost all sectors of the economy, and a joint work has also been set up to integrate the Silk Road Economic Belt and Nurly Zhol. Four areas of cooperation have been proposed.<sup>16</sup>

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**The Kazakh government devotes special attention to transforming the republic into a transit hub. The integration of the Silk Road Economic Belt initiative and the Nurly Zhol programme should contribute to the development of transport potential.**

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1. The development of a transit corridor, establishment of logistics centres in Kazakhstan and the simplification of procedures (customs, tax, financial, etc.) in order to expand the volume of mutual trade. In 2016, construction will

<sup>13</sup> Blood Vessels of the Economy // Kazinform. May 12, 2016. URL: [http://www.inform.kz/ru/krovenosnye-sosudy-ekonomiki\\_a2663780](http://www.inform.kz/ru/krovenosnye-sosudy-ekonomiki_a2663780)

<sup>14</sup> Syroezhkin K. Kazakhstan and China: An Analysis of the Latest Agreements // Central Asian Bureau for Analytical Reporting. November 3, 2016. URL: <http://cabar.asia/ru/konstantin-syroezhkin-kazahstan-i-kitaj-analiz-poslednih-dogovorennostej/>

<sup>15</sup> Kaukenova S. Kazakhstan and China Implementing 45 Projects Worth \$22 billion // Vlast. September 14, 2015. URL: <https://vlast.kz/novosti/12998-kazahstan-i-kitaj-realizuut-45-proektov-na-22-mlrd-dollarov.html>

<sup>16</sup> Nurly Zhol State Programme: Prospects and Problems // i-News.kz. October 29, 2016. URL: [https://i-news.kz/news/2016/10/29/8403990-gosprogramma\\_nurly\\_zhol\\_perspektivy\\_i\\_pr.html](https://i-news.kz/news/2016/10/29/8403990-gosprogramma_nurly_zhol_perspektivy_i_pr.html)

be completed on the Kazakh section of the Western Europe – Western China International Transit Corridor (starting in St. Petersburg and ending in Lianyungang). However, experts believe there are a number of flaws that could push back these plans. For example, 49 sections of the road do not meet the standards approved in the feasibility study work has not even begun on several sections, and the construction estimate has been seriously exceeded. The most important setback, however, is that the Russian section has not been built. Construction has already been completed on the Khorgos – Almaty – Taraz – Shymkent – Kyzylorda – Aktau railway and the Borzhakty – Yersai branch, which is the infrastructural basis for the ferry complex in the Port of Kuryk on the shores of the Caspian Sea with a freight turnover of 4 million tonnes per year. Port Aktau is being modernized to increase its capacity by 2020. But nothing is being done to build logistics centres or simplify customs and visa procedures.

2. Joint industrial projects. The first group includes approximately 45 projects in manufacturing, metallurgy, oil and gas refining, the chemical industry, engineering, energy, light industry, the processing of agricultural products, transportation and logistics, new technologies and the production of consumer goods. Agreements have already been signed for 25 of these projects, worth a total of \$23 billion. However, the Ministry for Investments and Development of the Republic of Kazakhstan has not published a list of these enterprises. Nor has it developed a programme for bilateral industrial and investment cooperation, which makes it impossible to evaluate the real potential of the projects.

3. Cooperation in knowledge-intensive industries and hi-tech sectors. For now, discussions in this sphere are only being held on areas in which Kazakhstan and China will cooperate. No research institutions or universities at which such cooperation could take place have been determined.

4. Cooperation in the agricultural sector. This is a rather promising area. Despite the protests of nationalists, China is already implementing 19 projects in Kazakhstan worth a total of \$1.7 billion, and cooperation is only expanding.<sup>17</sup> Even the moratorium on amendments to the Land Code of the Republic of Kazakhstan, which will remain in effect until 31 December 2021, has little impact on the expansion of cooperation in the agricultural sector.

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**Kazakhstan's accession to the World Trade Organization (WTO) will have a positive effect on the country's economic potential. However, more liberal trade conditions in the WTO have clouded prospects for participation in the EAEU.**

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<sup>17</sup> Syroezhkin K. Kazakhstan and China: An Analysis of the Latest Agreements // Central Asian Bureau for Analytical Reporting. November 3, 2016. URL: <http://cabar.asia/ru/konstantin-syroezhkin-kazakhstan-i-kitaj-analiz-poslednih-dogovorennostej/>

Experts in Kazakhstan believe that the development of infrastructure should be accompanied by the establishment of an extensive network of transport and logistics centres (TALCs) that would be strategically deployed in each of the country's regions (Port Aktau in the west, Almaty in the south, Astana in the north and the Khorgos Special Economic Zone in the east).<sup>18</sup> The presence of an extensive system of TALCs in Kazakhstan will make the use of rolling stock more efficient and improve the quality of transportation. It will also reduce transportation and logistics costs.

According to the World Bank, Kazakhstan has systematically improved logistics conditions throughout the country in recent years. According to the Logistics Performance Index (LPI), Kazakhstan has risen from 124th (out of 160) in 2007 to 77th in 2016, overtaking Russia (99th), Ukraine (80th) and Iran (96th).<sup>19</sup> The country has already set the goal of reaching 40th place by 2020.<sup>20</sup>

### WTO membership

Kazakhstan became a member of the WTO in 2015 under conditions entailing more liberal trade commitments than those of the EAEU, a fact which complicates interaction within the Union. This will play a definitive role in the economic situation in the country in the long term. The tariff rate for Kazakhstan is 6.5 per cent, while the rate for the rest of the countries in the Union is more than 10 per cent. This has resulted in changes to the customs tariffs of 3000 products in Kazakhstan, of which 1500 are critical for EAEU countries.<sup>21</sup> For Kazakhstan, however, the lower weighted average tariff for industrial goods (5.6 per cent in Kazakhstan and 8.7 per cent in the EAEU) does not play a serious role, since the country does not have its own engineering industry. Meanwhile, the lower rates enable Kazakh enterprises to purchase industrial purpose products at cheaper prices. For agricultural products, the average tariff for Kazakhstan is also lower, at 10.2 per cent (compared to 17 per cent in the EAEU), which makes it difficult to establish a common market for agricultural products within the Union, but enables

<sup>18</sup> Romanko Y., Musabekova A. Development of Transport Logistics in the Republic of Kazakhstan // Articlekz.com. URL: <http://articlekz.com/article/8515>

<sup>19</sup> The index evaluates six factors: efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by border control agencies, including customs; quality of trade and transport related infrastructure (e.g., ports, railroads, roads, information technology); ease of arranging competitively priced shipments; competence and quality of logistics services (e.g., transport operators, customs brokers); ability to track and trace consignments; and timeliness of shipments in reaching destination within the scheduled or expected delivery time .

<sup>20</sup> Kazakhstan Rises 11 Positions in Logistics Performance Index (LPI) over Past Two Years // Invest in Kazakhstan. URL: <http://invest.gov.kz/ru/news/za-poslednie-dva-goda-kazakhstan-podnyalsya-na-11-pozitsiy-po-indeksu-effektivnosti-logistiki-lpi>

<sup>21</sup> Bazanova Y. Russia Protecting Itself against Cheap Imports from Kazakhstan // Vedomosti. October 12, 2015. URL: <https://www.vedomosti.ru/economics/articles/2015/10/12/612497-rossiya-importa-kazhstana>

Kazakhstan to expand the trade of its own grain on global markets somewhat. Meanwhile, long-term national programmes call for agricultural development within the country and expanding sales markets for finished products. However, it will be more difficult for Kazakhstan to single-handedly defend its own prices for agricultural products, which could diminish the country's export capabilities.

As part of its agreement with the WTO, Kazakhstan has also committed to liberalizing work conditions on the domestic services market within two-and-a-half years, meaning that foreign companies will have the opportunity to acquire local long-distance and international communications operators, while foreign banks will acquire the right to open their own branches and do business in the country within five years.<sup>22</sup>

### Liberalization of legislation and changes in taxation

The next factor that is sure to affect the country's development is the abolition of price regulation that will come into effect on January 1, 2017 in a number of sectors in order to create equal conditions within the framework of the EAEU. This is also connected with the desire of Kazakhstan to comply with the principles and standards of the Organisation for Economic Cooperation and Development (OECD) in matters concerning competition. For this purpose, large-scale liberalization of the legislation was carried out in 2014–2016 with the aim of simplifying, developing and adapting business operations under integration conditions:<sup>23</sup> extensive amendments were made to the legislation to alter the work concept for the antimonopoly authority, the Law “On Competition” was implemented as part of the Entrepreneurial Code of the Republic of Kazakhstan, and a number of new amendments and additions were made. One of the main outcomes of the biennial cycle of work will be the transition from state price regulation to market-based pricing.<sup>24</sup> As the Ministry of National Economy of the Republic of Kazakhstan has explained, the reform will be carried out by transitioning from price regulation to antimonopoly regulation.

Given that the abolition of price regulation may result in certain risks in terms of unfair growth in prices for services, the introduction of a new type of price regulation is envisaged for socially significant markets in civil aviation, railway transportation, electricity and gas prior to 2020.

<sup>22</sup> Sokov K. How Kazakhstan Will Combine Its Membership in the WTO and EAEU // Ritm Eurasia. February 16, 2016. URL: <http://www.ritm Eurasia.org/news--2016-02-16--kak-kazakhstan-sovmestit-chlenstvo-v-vto-i-eaes-21928>

<sup>23</sup> New Competition regulations in Contain Enormous Potential for Business Development – Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan // Official Site of the Ministry of National Economy of the Republic of Kazakhstan. September 16, 2016. URL: [http://economy.gov.kz/ru/news/detail.php?ELEMENT\\_ID=71223&](http://economy.gov.kz/ru/news/detail.php?ELEMENT_ID=71223&)

<sup>24</sup> Kazakhstan to Abolish Price Regulation in 2017 // Zakon.kz. September 19, 2016. URL: <http://www.zakon.kz/4818085-v-kazakhstane-s-2017-goda-otmenjat.html>

**Kazakhstan has been working on reforming its tax system for a long time and as a result individuals will have to pay more taxes. The increased taxes may affect the reduction of the economy.**

Changes to the independent budgets of local self-governments that are slated to be introduced from 2018 should play a decisive role in stabilizing the socioeconomic situation in the country in the coming years. According to the draft bill “On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Matters Concerning the Development of Local Self-Governments” presented to the Majilis (lower house of Parliament) in September 2016 involves changes to the country’s budget system.<sup>25</sup> A four-tiered budget is to be introduced to replace the current three-tiered budget: the independent budget and communal property of local self-governments are to be introduced, and the powers of local self-government bodies to manage the budget process and communal property are to be expanded.<sup>26</sup> The adoption of this law will involve making amendments and additions to the Budget, Tax and Civil codes of the Republic of Kazakhstan, and the laws “On State Property,” “On Local Government and Self-Government in the Republic of Kazakhstan” and “On Advertising”. The bill also specifies the sources of income for local self-government budgets, which consists of tax revenue (personal income tax on income not subject to withholding; personal property tax; transportation tax on individuals and legal entities; land tax on individuals and legal entities for land in populated areas; fees for the placement of outdoor [visual] advertising on the right-of-way of roads passing through cities, villages, townships and rural districts) and non-tax revenue (revenue from the property lease [rent] of state property; voluntary fees from individuals and legal entities; fines levied by *akims* [heads of local government] for administrative offences as specified by the Code on Administrative Offences; revenue from the sale of communal property; and transfers from the regional budget).

Kazakhstan has been working on improving the country’s tax system for several years now, with the emphasis being placed on increasing the burden on personal income.<sup>27</sup> Alongside the taxes on labour, excise taxes are being increased, self-employed citizens are now required to pay social contributions amounting to 5 per

<sup>25</sup> New Draft Bill of the Republic of Kazakhstan Will Provide Local Self-Government Bodies with an Independent Budget // Eurasian News. September 7, 2016. URL: <http://eurasnews.ru/kazakhstan/%D0%BD%D0%BE%D0%B2%D1%8B%D0%B9-%D0%B7%D0%B0%D0%BA%D0%BE%D0%BD%D0%BE%D0%BF%D1%80%D0%BE%D0%B5%D0%BA%D1%82-%D1%80%D0%BA-%D0%B4%D0%B0%D1%81%D1%82-%D1%81%D0%B0%D0%BC%D0%BE%D1%81%D1%82%D0%BE%D1%8F%D1%82/>.

<sup>26</sup> Independent Budgets for Local Self-Governments in Kazakhstan May be Introduced from 2018 // National Business. September 14, 2016. URL: <http://nb.kz/19882/>.

<sup>27</sup> What Tax Changes Will Take Place in Kazakhstan starting in the New Year // Zakon.kz. November 26, 2015. URL: <https://www.zakon.kz/4759178-kakie-izmenenija-po-nalogam-proizojdut.html>

cent of their income, mandatory health insurance has been introduced with an increase in employer contributions from 2 per cent in 2017 to 5 per cent in 2020 and discussions have been held on replacing VAT with a sales tax. The government is considering the possibility of increasing the individual income tax rate from 10 per cent to 12 per cent by 2018, which will certainly affect the disposable income of the population.<sup>28</sup> Enterprises that are supposed to compensate employees for individual income tax will see a direct increase in costs. Raising taxes will not only replenish the budget, which has contracted sharply due to the decline in prices for the main export goods, but may also shrink the size of the economy. Increasing the individual income tax rate will expand the tax burden on businesses. Even today, the burden on salary taxes fluctuates within the range of 22 per cent and 30 per cent.<sup>29</sup> The greatest burden will fall on small and medium-sized businesses, which always have less funds available for development and which rely on borrowed funds that are also decreasing. As a result, business will contract instead of expanding and this could have a negative effect on economic growth.

According to the calculations of the National Chamber of Entrepreneurs, the tax burden on the country will almost double if the threshold for VAT registration is decreased for small businesses only, which account for more than 90 per cent of overall entrepreneurship in Kazakhstan. If a 5 per cent sales tax is introduced, the tax burden on more than 500,000 small businesses will be increased by an average of three times.<sup>30</sup>

Thus, Kazakhstan is currently in a rather difficult economic situation due to the ongoing global economic crisis, which at this stage is manifested in a sharp decline in the prices of hydrocarbons – the country’s main export commodity – and the slowdown in the economic growth rates of China and Russia, as well as the negligible growth in EU nations, which are the country’s main trade partners (see Table 1).

*Table 1. GDP growth rates of Russia and China*

	2013	2014	2015
China	7.7	7.3	6.8
Russia	1.3	0.6	-3.9
EU	0.2	1.4	1.8

Source: CIA World Factbook

<sup>28</sup> Expert Calls for the Upcoming Tax Hikes in the Republic of Kazakhstan to be Accepted // 365info.kz. October 19, 2015. URL: <http://365info.kz/2015/10/ekspert-prizval-smiritsya-s-predstoyashhim-povysheniem-nalogov-v-rk/>

<sup>29</sup> Expert Calls for the Upcoming Tax Hikes in the Republic of Kazakhstan to be Accepted // 365info.kz. October 19, 2015. URL: <http://365info.kz/2015/10/ekspert-prizval-smiritsya-s-predstoyashhim-povysheniem-nalogov-v-rk/>

<sup>30</sup> Government Wants to Legalize Individual Bankruptcy in Kazakhstan in 2017 // KazPravda. September 22, 2015. URL: <http://www.kazpravda.kz/news/ekonomika/bankrotstvo-fizlits-hotyat-uzakonit-v-kazhstane-v-2017-godu/>

This has all affected the revenue position of the Kazakh state budget and, consequently, reduced the internal capabilities for developing the country. However, Kazakhstan is taking measures to minimize the effects of the crisis, which is already more than ten years old. This includes improving the tax system and internal budget relations, adopting measures to diversify the economy, and actively developing the transport infrastructure in order to transform the country into a transit hub.

There are three possible scenarios for the development of Kazakhstan by 2021.

**The pessimistic scenario.** In this scenario, the country is unable to meet its development goals and experiences the related problems of social stability. In this case, the gap between the rich and the poor would expand considerably; the number of poor people would increase and the middle class would be eroded. This would create dissatisfaction among the people, not only with their financial position, but also with the country's system of governance as a whole. Against this backdrop, Islamist sentiments could intensify within the country, particularly among the poorer sections of the population, and we could see a movement to close off (fully or partially) the economy, attempts to withdraw from integration groups, and the prevalence of nationalist ideas – which is extremely dangerous in a multi-ethnic society

**The optimistic scenario.** In this scenario, Kazakhstan will achieve all of its economic goals and enter into a new level of growth as a result of the transportation and production infrastructure that has been established. The country will overcome problems related to growing social inequality and the middle class will strengthen as the core for economic and social development.

**The realistic scenario** (to which the author is inclined). This scenario involves moderate economic growth, which in any case will not be comparable to the growth seen in 2000–2007. But it will allow for stable development if the economy is managed effectively. The country will manage to transform itself into a transit hub, particularly since most of the transport projects already have funding. This, along with a proper fiscal policy and perhaps a slight increase in hydrocarbon and metals prices, will help create reasonable opportunities for developing a manufacturing infrastructure, which also means creating new jobs. In this scenario, the government would be able to avoid serious social unrest and surges in discontent, continue the development of the country along secular lines in the form of an open economy that is integrated into global economic processes and integration projects throughout the Eurasian space.

# Kyrgyzstan 2021: Living in Debt and According to the Code of the Neo-Feudal Elites

Denis Berdakov

*By 2021 Kyrgyzstan will strengthen its dependence on China (investment in infrastructure, loans, grants) and Russia (direct budget injections, support via UN programmes, migrant remittances) in order to preserve the power vertical of the next president, who will rely on client-patron groups of the mafia-type regional elites.*

*The socio-political system will be archaized against the backdrop of the explosive growth of the influence of Islamic preachers, an increase in the number of mosques and a decline in the overall quality of education.*

*Joining the Eurasian Economic Union (EAEU) has provided a socioeconomic basis for preserving political stability in the country, but further economic development associated with industrialization, attracting investments and agricultural development depends on the political system.*

## An economy of chronic debt

In summer 2016, Kyrgyzstan's external national debt stood at 64.6 per cent of GDP (\$635 per Kyrgyz citizen).

President of Kyrgyzstan Almazbek Atambayev has presided over seven changes of government during his six years in office.<sup>1</sup> The government has taken out loans worth a total of \$1.15 billion, which is almost the same amount as it took during the previous ten years.<sup>2</sup> In August 2016, the country's external debt was already up to \$3.762 billion, or 64.6 per cent of GDP.<sup>3</sup>

Prior to 2010, the governments of Kurmanbek Bakiyev and Askar Akayev actively took out loans, but in relative moderation. In nominal terms, Kyrgyzstan's external debt amounted to \$1.396 billion in 2000. By 2005, the country had taken out another \$500 million in loans. National debt Under Bakiyev, who was in power from 2005–2010, reached \$2.615 billion.<sup>4</sup> At that time (2010), the republic's external debt was at a non-critical 44 per cent of GDP and in no way threatened

<sup>1</sup> List of Prime Ministers of Kyrgyzstan // Wikipedia. Accessed on November 27, 2016. URL: [https://ru.wikipedia.org/wiki/Список\\_премьер-министров\\_Киргизии](https://ru.wikipedia.org/wiki/Список_премьер-министров_Киргизии)

<sup>2</sup> Find out who you Owe \$625 to: All You Need to Know about Kyrgyzstan's National Debt // Sputnik. October 6, 2016. URL: <http://ru.sputnik.kg/infographics/20161006/1029584617/uznajte-komu-vy-dolzhny-625-dollarov-vse-o-gosdolge-kyrgyzstana.html>

<sup>3</sup> Find out who you Owe \$625 to: All You Need to Know about Kyrgyzstan's National Debt // Sputnik. October 6, 2016. URL: <http://ru.sputnik.kg/infographics/20161006/1029584617/uznajte-komu-vy-dolzhny-625-dollarov-vse-o-gosdolge-kyrgyzstana.html>

<sup>4</sup> Kyrgyzstan's External Debt Passes Critical Level // Centre-1. October 19, 2016. URL: <https://centre1.com/kyrgyzstan/vneshnij-dolg-kyrgyzstana-perevalil-za-kriticheskuyu-otmetku/>

the country's economic security.<sup>5</sup> Now it has reached a critical level and the country is automatically denied access to concessional and “non-concessional” loans (concessional loans at interest rates of 1–5 per cent per year currently make up more than 90 per cent of Kyrgyzstan's national debt).<sup>6</sup> The growth in external national debt was brought about by attempts on the part of Atambayev to modernize the country in order to preserve the manageability of the system. After inheriting a system in which opportunities were granted by the existing neo-feudal political culture, in addition to an economy that was based on re-exports and migrant remittances, Atambayev realized that he had been put in a position where holding onto political power would be impossible without the support of government officials and businessmen with extensive patronage and clan networks. The fee for support was a “meal ticket” (a position, access to state procurements and unhindered conditions for doing business).<sup>7</sup>

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**Kyrgyzstan's external debt has reached a critical level and the country is now denied access to receive concessional and other loans (concessional loans are granted at an interest rate of 1–5 per cent per year). This debt will not decrease in the near future, as loans and grants are essential for maintaining stability and preserving the power establishment.**

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In order to maintain even a semblance of the power vertical, the authorities needed financial resources: loans, grants and investments. Such resources were secured in the amount of \$3.51 billion over the five years of Atambayev's rule.<sup>8</sup>

There is no reason to believe that national debt will decline over the next five years, as the authorities will take out loans and grants no matter what political conditions are attached. The main thing is that the “system” receive the financial resources needed for social stability and to maintain the power vertical.

### Russia and China: strategic creditors of stability

Given that Kyrgyzstan's next president (whose term will run from 2017 to 2023) will have to work under constant time pressure, as all key economic and government reforms must be carried out immediately, the elite will take the tried-and-tested path of a “multi-vector policy”.

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<sup>5</sup> External Debt Passes Critical Level // Centre-1. October 19, 2016. URL: <https://centre1.com/kyrgyzstan/vneshnij-dolg-kyrgyzstana-perevalil-za-kriticheskuyu-otmetku/>

<sup>6</sup> Find out who you Owe \$625 to: All You Need to Know about Kyrgyzstan's National Debt // Sputnik. October 6, 2016. URL: <http://ru.sputnik.kg/infographics/20161006/1029584617/uznajte-komu-vy-dolzhny-625-dollarov-vse-o-gosdolge-kyrgyzstana.html>

<sup>7</sup> Berdakov D. “Successor” Operation in Kyrgyzstan: Context and Corridor of Opportunities // Central Asian Analytical Network. September 13, 2016. URL: <http://caa-network.org/archives/7559>

<sup>8</sup> Kyrgyzstan's External Debt Passes Critical Level // Centre-1. October 19, 2016. URL: <https://centre1.com/kyrgyzstan/vneshnij-dolg-kyrgyzstana-perevalil-za-kriticheskuyu-otmetku/>

■ Denis Berdakov

The goal of Kyrgyzstan's multi-vector policy is to consistently seek out financial resources from international and national financial institutions in order to preserve socio-political stability. A total of \$1.812 billion has been secured over the past five years in the form of loan agreements signed with China. And this is only a portion of the funds that the country is supposed to receive.

If the seven agreements concluded in 2013 on investments worth more than \$3 billion are put to use,<sup>9</sup> the Chinese government would gain full control over the country by 2021 – the interest on the debt would be too heavy a burden for the country's budget to handle.

On the other hand, the total number of Kyrgyz citizens working in Russia following the country's accession to the EAEU in 2015 is 573,000.<sup>10</sup> These workers generate an annual cash flow of \$1–1.5 billion – roughly equal to Kyrgyzstan's budget expenditures.<sup>11</sup> This is an enormous amount of money, and it essentially keeps the country from sliding into social chaos. Even if only 200,000 people working in the EAEU returned to Kyrgyzstan, the country would find itself on the brink of a political catastrophe.

Therefore, in the next five years the trend of strengthening dependence on China (investment in infrastructure, loans, grants) and Russia (direct budget injections, support via UN programmes, migrant remittances) will increase due to the fact that the population is growing and the economy cannot find a new development model. Russia has given more than \$3.5 billion in aid to Kyrgyzstan over the past five years.<sup>12</sup>

### In search of a development model

The crisis in the Kyrgyz economic model began in 2010, before entering a critical phase in 2015–2016. Re-exporting goods is not practical, as the EAEU markets closed after the Customs Union started functioning. The sewing industry lost its advantages in terms of the price of goods after Russia joined the WTO. Income from the Gold Mine was dependent on global gold prices and stability within the republic.<sup>13</sup> Migrants fed the country longer than anyone else, but following the dramatic devaluation of the rouble in 2014 and the continued currency

<sup>9</sup> Debt Arithmetic: How Did the Government Spend the \$3.5 Billion Received from DONORS // Akchabar. April 19, 2016. URL: <https://www.akchabar.kg/article/economy/lots-of-cash/>

<sup>10</sup> Denisenko Y. Toktobolotov: Joining the EAEU Has Seriously Changed the Status of Migrant Workers // Vecherny Bishkek. April 4, 2016. URL: [http://www.vb.kg/doc/337451\\_toktobolotov:\\_vstyplenie\\_v\\_eaes\\_serezno\\_izmenilo\\_statys\\_trydovyh\\_migrantov.html](http://www.vb.kg/doc/337451_toktobolotov:_vstyplenie_v_eaes_serezno_izmenilo_statys_trydovyh_migrantov.html)

<sup>11</sup> Kyrgyzstan's Top Investors – Migrant Workers Remit roughly \$1.5 Billion to the Country Annually // KirTAG. October 27, 2016. URL: <http://kyrtag.kg/society/glavnye-investory-kyrgyzstana-trudovye-migranty-perevodyat-v-stranu-okolo-1-5-mlrd-ezhegodno>

<sup>12</sup> Karimov D. Russia Has Given More than \$3.5 Billion in Aid to Kyrgyzstan Over the Past Five Years // Rossiyskaya Gazeta. October 17, 2016. URL: <https://rg.ru/2016/10/17/pomoshch-rf-okazannaia-kirgizii-sostavila-svyshe-35-mlrd-za-piat-let.html>

<sup>13</sup> Berdakov D. Kyrgyzstan Needs Devaluation or Aid from EAEU countries // Regnum. February 19, 2015. URL: <https://regnum.ru/news/1897331.html>

instability in 2015, as well as the depreciation of the Kazakhstani tenge in 2015, re-exports and the sewing industry also came under threat.<sup>14</sup> Trade, rental services and the construction industry (which developed rapidly from 2011 to 2014) also experienced a major shock.<sup>15</sup>

Fifteen months have passed since Kyrgyzstan officially joined the EAEU and now we can unambiguously state that over the next five years the republic will only be able to benefit from the Union (besides the obvious advantages in the form of exemptions for migrant workers) if responsible, government-oriented elites come to power who are capable of establishing stable rules in the country that make it possible to do business at lower costs. Meanwhile, there is a conflict between the economy and politics. The economy needs guarantees: the identification and implementation of clear rules, and a fast and efficient system of public administration. Bureaucratic power brokers relying on clan-based structures and their patronage networks need guarantees of immunity and the ability to do “business” through access to administrative resources. As a result, the biggest Russian and Kazakh manufacturers of goods and services are winning the battle for the Kyrgyz market. They have better access to capital, a larger scale of production, fewer costs and a margin for dumping.

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**EAEU membership will only be beneficial for Kyrgyzstan if responsible elites focused on the state’s development come to power.**

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It is entirely possible that, by 2021, Kyrgyzstan, as an EAEU member, could have followed the course marked out by Greece in the European Union. The difference would only be in terms of regional specifics: local manufacturers losing their market and economic development through investment in mining. It may be possible to develop agriculture, but this would require three to five years of intensive work to introduce high quality standards, for which most of the country’s agricultural producers are not prepared.

The potential opportunities that Kyrgyzstan could derive from membership in the EAEU above all depend on the competitiveness of the system of public administration, as well as on socio-political stability in the country. And Kyrgyzstan currently has major problems in this area.

Government spending and the loyalty of the elites will be supported through external borrowing, i.e. the domestic situation will largely be determined by how successfully Kyrgyz businesspeople are able to integrate themselves into business processes within the framework of the EAEU.

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<sup>14</sup> Overview: How the Currency Exchange Rates of CIS Countries Have Changed over the Past Year // Zanoza. September 16, 2015. URL: [http://zanoza.kg/doc/324580\\_obzor:\\_kak\\_menialis\\_kyrsy\\_valut\\_stran\\_sng\\_za\\_posledniy\\_god.html](http://zanoza.kg/doc/324580_obzor:_kak_menialis_kyrsy_valut_stran_sng_za_posledniy_god.html)

<sup>15</sup> Berdakov D. Kyrgyzstan’s Pre-Crisis Model: A Dangerous Balance between Economic Necessity and Political Interests // Central Asian Analytical Network. November 22, 2015. URL: <http://caanetwork.org/archives/6085>

## Clan-based oligarchy: a guarantee of independence against political revolutions and economic reforms

A key feature of the entire political system in Kyrgyzstan, which is now based on the presidential-parliamentary model, is the well-developed system of neo-feudal client-patron networks (relatives, friends, and people from the same region) and the weakness of the largely imitative and opportunistic state institutions.

All of this has rendered the socio-political system obsolete and has led to technological degradation. The system is unstable, but it is the only one that is possible within the framework of the current local culture.<sup>16</sup> The primary challenge for Kyrgyzstan will be whether the next president is able to hold onto the multi-clan system (which has a pseudo-party representation in parliament) using existing resources within the context of the growing economic crisis and the increasing national debt.

In all likelihood, he will. But this will come at the cost of development, since such evolution involves strengthening the responsibility of the political elite to the law. And this would be unacceptable for the regional and offshore elites, who are willing to compromise with any centralized authority (including as part of the new president's team) just as long as they are granted immunity from justice.

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**Given the obsolete nature of the Kyrgyz sociopolitical system, citizens do not expect anything from the elites. Instead, they try to install their representative in the government authorities in which resources are distributed.**

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Over the years of its independence, there have been two unlawful regime changes (reorganizations) in Kyrgyzstan – one in 2005 (the overthrow of Akayev) and the other in 2010 (the overthrow of Bakiyev). Officially, these events are reminiscent of the popular Maidan or a “colour” revolutions, but they were actually intra-elite processes carried out in order to eliminate the imbalances between elite groups. The essence of the imbalances was that one of the clans (as understood in its expanded form: relatives, friends and clients) had monopolized the distribution of resources (both external borrowing and domestic financial flows). The rest of the elite united to defend their economic interests (and often their lives) and configured the new balance of stability with the support of external geopolitical players. But they did not change the level of competence, structural bonds or the value-based model of the elite and officials.<sup>17</sup>

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<sup>16</sup> Berdakov D. Kyrgyzstan Elections: Parliament Full of Oligarchs in the Eye of the Storm // Russian International Affairs Council. November 2, 2016. URL: [http://russiancouncil.ru/en/analytics-and-comments/analytics/itogi-vyborov-v-kyrgyzstane-parlament-oligarkhov-v-usloviyakh/?sphrase\\_id=3178481](http://russiancouncil.ru/en/analytics-and-comments/analytics/itogi-vyborov-v-kyrgyzstane-parlament-oligarkhov-v-usloviyakh/?sphrase_id=3178481)

<sup>17</sup> “Successor” Operation in Kyrgyzstan: Context and Corridor of Opportunities // Central Asian Analytical Network. September 13, 2016. URL: <http://caa-network.org/archives/7559>

## Religious renaissance against the backdrop of social poverty

The experience of the two revolutions led by the elite and the weakness of the executive authorities in creating an infrastructure and maintaining standards and rules throughout all the years of the country's independence have resulted in Kyrgyz society becoming "autonomous" with respect to the political processes taking place in parliament and the government. The broad segments of citizens left to fend for themselves do not expect anything from the elites and delegate their representatives to different bodies and ministries where resources are distributed whenever possible. On the one hand, this complicates the formation of a power vertical in the country, while making religion, organized crime and tribal identity the main tools for the socialization and structuring of groups of the population on the other hand, makes. If this process proceeds at the pace seen over the past five years, then by 2021 it threatens to turn the country into a failed state.

After gaining independence in 1991, an uncontrolled religious boom began in Kyrgyzstan. By the start of 2016, it had become clear to the President and his inner circle that it would in fact be impossible to contain the Islamization of the country within the framework of a secular state. The permanent socioeconomic crisis and resulting political instability caused by the extreme amorphousness of state institutions have allowed Islamic extremists to not only enter the country, but also gain an extremely firm foothold there, exerting a strong influence on a significant part of Kyrgyz society. The growing trend of the interaction, and sometimes merging, of Islamist structures with religious clan-based groups, political parties and organized criminal groups is especially dangerous. As a result, very bizarre coalitions have formed based on the network principle with the involvement of Islamic preachers from a wide range of areas, clan-based "clientele" and criminal groups that cultivate aggression against both ethnic and religious minorities, and seek to strengthen their positions in government structures and business.

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**Since 1991, Kyrgyzstan has been typified by uncontrollable religiosity and a high degree of mafia infiltration in security and governmental structures.**

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In Kyrgyzstan, the Islamic groups Hizb-ut-Tahrir, Ahmadiyya, Nurciler and Tablighi Jamaat carry out the initial recruitment of young people whom they consider promising.<sup>18</sup> Often, in order to put their best foot forward, young people then become community leaders and imams at mosques and receive support to start their own businesses.<sup>19</sup> The Kirghiz Soviet Socialist Republic had 39 mosques as of 1991.<sup>20</sup> By

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<sup>18</sup> The Religious Situation and the Threat of Religious Extremism in Central Asia // Vesti.kg. September 26, 2012. URL: [http://www.vesti.kg/index.php?option=com\\_k2&view=item&id=14610](http://www.vesti.kg/index.php?option=com_k2&view=item&id=14610)

<sup>19</sup> How Does Social Mobility Work in Kyrgyzstan? // CA-portal. August 22, 2013. URL: <http://www.ca-portal.ru/article:7783>

<sup>20</sup> Kalishevsky M. Kyrgyzstan: Is "Islamization" Irreversible? // Fergana. January 27, 2014. URL: <http://www.fergananews.com/articles/8029>

the start of 2016, the number had risen to 2669 mosques and 67 madrasas.<sup>21</sup> This is compared to 2027 schools and 52 universities. Hundreds of new mosques are built each year.

Kyrgyzstan is widely regarded as a country where the crime and law enforcement agencies have merged to the greatest extent possible and often can no longer be distinguished from one another. It often happens that a single family or extended family has representatives in organized criminal groups and national security agencies at the same time. This creates a specific system of influential groups that share resources using formal and informal leverage.

Representatives from the criminal world are also members of parliament, a fact that has been confirmed by the President. In an interview, President Atambayev conceded that organized crime has pressured deputies during the dissolution and formation of parliamentary alliances.<sup>22</sup> During the parliamentary elections in autumn 2016, the 2000 candidates from 14 parties included 234 individuals with criminal records. Fifteen candidates are registered offenders, while three of the candidates for parliamentary deputies are actually listed as wanted.<sup>23</sup>

The situation is complicated by the fact that, for young people, criminalization is the most prominent, accessible and publicized form of upward social mobility. At many schools there are “networks” and “crews” that have an informal leader known as an “enforcer.”<sup>24</sup>

The situation with the interpenetration of organized criminal groups into security structures and the government is only getting worse with each passing year. Essentially, organized criminal groups have turned into the mafia, and it is possible that the country will have transitioned to a system of mafia clans by 2021.<sup>25</sup>

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There is a high risk that, by 2021, Kyrgyzstan could have turned into a country controlled by crime bosses and leaders of oligarch groups that rely on clan-based structure. Islam will become the dominant cultural trend as it gradually evolves from a cultural phenomenon into a political force that can use radical policies to achieve its goals. The President will be forced to strengthen dependence on external

<sup>21</sup> Kyrgyzstan Has More Mosques than Schools // Vecherny Bishkek. July 16, 2015. URL: [http://www.vb.kg/doc/320148\\_v\\_kyrgyzstane\\_mechetey\\_bolshe\\_chem\\_shkol.html](http://www.vb.kg/doc/320148_v_kyrgyzstane_mechetey_bolshe_chem_shkol.html)

<sup>22</sup> Twenty Criminal Groups Run Kyrgyzstan // Ruspres. August 13, 2013. URL: <http://www.rospress.com/crime/12927/>

<sup>23</sup> Bektursanov A., Yntymakov A. Kyrgyzstan: Mob Strives for Power // Nastoyasheye Vremya. September 9, 2015. URL: <http://www.currenttime.tv/a/27235608.html>

<sup>24</sup> Miroshnik M. Study: Teenagers in Schools Split into “Enforcers” and “Crews” // Zanoza. July 20, 2016. URL: [http://zanoza.kg/doc/341841\\_issledovanie:\\_podrostki\\_v\\_shkole\\_deliatsia\\_na\\_smotriashih\\_i\\_tolpy.html](http://zanoza.kg/doc/341841_issledovanie:_podrostki_v_shkole_deliatsia_na_smotriashih_i_tolpy.html)

<sup>25</sup> Kyrgyzstan. Criminals Infiltrating the Government // Stan Radar. August 22, 2014. URL: <http://www.stanradar.com/news/full/11933-kyrgyzstan-kriminal-pronikaet-vo-vlast.html>

donors to preserve the semblance of a power vertical by providing interest groups that support him with access to public procurements, tenders and concessional loans. Joining the EAEU has provided a socioeconomic basis for maintaining political stability in the country since migrant remittances are commensurate with the country's budget. But further economic development associated with industrialization, attracting investments and the technologizing agriculture is directly dependent on the political system: the objectivity of the courts and the enforcement of laws, the legal awareness of citizens and the effectiveness of the state apparatus.

## Moldova in 2021

Pavel Kandel

*Forecasting is reminiscent of shamanism when the “tectonic plates” of world politics and economy are set in motion. And yet we shall venture to make predictions ourselves: Moldova is unable to choose between Russia and the European Union, and will not manage to reach an agreement anytime soon. The geopolitical competition in both Moldova and Transnistria will shift to a long-term “positional” confrontation and the sluggish negotiation process between them will continue. The result is beyond the horizon.*

Attempting to look beyond the foreseeable political horizon in a world that has entered a period of turbulence is a thankless task. It is even more unfair to speculate about the future relations that Moldova might have with the European Union and Russia. This is the top item on the country’s foreign policy agenda, which has divided citizens according to their external preferences. This was confirmed by the results of the presidential elections: 52.18 per cent of the population voted for Igor Dodon, who was regarded as the “pro-Russian” candidate; and 47.82 per cent voted for Maia Sandu, a supporter of the pro-western political course.<sup>1</sup> The current situation in all three components of this equation is full of uncertainties that are hard to predict. Moldova, the European Union and Russia are in a position where they have to make a strategic choice that has not been predetermined. By virtue of its domestic political crisis, Moldova itself is doomed to a long process of restoring the “political class.” Following Brexit and the refugee crisis, the European Union finds itself “in a dangerous and difficult situation... and could fall apart,” according to President of the European Parliament Martin Schulz, although he was intentionally dramatizing the situation.<sup>2</sup> Nobody knows the state in which the European Union will emerge from this situation. Following the slump in energy prices and the exhaustion of opportunities in the commodity-based development model, the economy of Russia and the Eurasian Economic Union (EAEU) has experienced hard times as a whole. The forecast is further complicated by the uncertain outcome of negotiations on the establishment of the Transatlantic Free Trade Area (TAFTA). But one thing is easy to predict: if the Free Trade Area does happen, the European Union’s foreign policy will become even more dependent on the United States and the level of competition will increase on the European market, which is already crippling for the weak Moldovan economy. Under such conditions, it is difficult to talk about opportunities and probabilities, but we can outline the field of what is obviously unrealistic.

<sup>1</sup> Final Results of the Presidential Elections // Noi.md. November 14, 2016. URL: [http://www.noi.md/ru/news\\_id/94079](http://www.noi.md/ru/news_id/94079)

<sup>2</sup> The European Parliament President Concedes that EU May Fall Apart // RIA Novosti. September 16, 2016. URL: <https://ria.ru/world/20160916/1477128502.html>

We can confidently state that there will be no EU enlargement prior to 2020. Not only does the state of affairs within the European Union suggest as much, but it has also been expressly stated by President of the European Commission Jean-Claude Juncker and President of the European Parliament Martin Schulz. But the European Union will not abandon its intention to definitively consolidate the Western Balkan states by including them in their ranks, although no one in Brussels today will venture to say when their turn will come. Moldova has not even been promised a place in the long list of candidates for admission. Brussels needed Moldova primarily to serve as “bait” for Ukraine – to inspire it with hope for a European future using the example of a relatively inexpensive “success story.” As soon as the big fish is already on the hook, the enterprising fishermen have much more reason to worry about not letting it slip away than being concerned about the fate of the bait.

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**While the European Union will eventually admit Western Balkan countries for membership, nobody knows when this will take place. The play for Moldova is not being made for the sake of victory, but to harm the opponent at any cost.**

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Moldova is the poorest European country, with a predominantly agricultural economy that accounts for just 0.1 per cent of European Union trade turnover and 0.2 per cent of trade turnover with the Russian Federation.<sup>3</sup> It is, therefore, clearly not a coveted prize for opponents. It would be more appropriate to speak not so much about the clash of the geopolitical and geo-economic interests of the “big players,” which often think on the fly as the “game” unfolds, as it would about a “geopolitical vanity” competition. What is important here is not the doubtful or perhaps meagre gains that the sides may make, but rather harming the opponent and preventing its success no matter the cost. The international situation gives reason to believe that this “conflict of vanity” will continue. Thus, a place will be found for Moldova as well. But it will definitely not be what it is expecting.

**We have the European Union, but we don't have happiness**

Those in favour of Europe choosing Moldova claim that the European Union Association Agreement (signed in June 2014) opens up new prospects for economic growth. However, the calculations of economists provide a more sober view. Statistics do not confirm the optimistic hopes: in 2015, Moldovan exports to the European Union increased by only 5 per cent (while imports decreased by 11 per cent).<sup>4</sup>

<sup>3</sup> Author's calculation based on data from the Federal Customs Service of Russia.

<sup>4</sup> European Union, Trade in Goods with Moldova // European Commission. URL: [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113419.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113419.pdf)

Preliminary data for January–July 2016 do not suggest any breakthroughs either: total exports decreased by 7.5 per cent; fruit and vegetable exports declined by 36.3 per cent; and oil and fat exports plunged by 48.5 per cent.<sup>5</sup> Surveys confirm that Moldovan citizens are not happy with European Union association. An October sample of public opinion revealed that if a referendum were to be held in the near future concerning Moldova’s accession to either the European Union or the Customs Union, 41 per cent would choose the European Union and 44.3 per cent would opt for the Customs Union.<sup>6</sup> Other tests have provided an even more vivid picture of the growth in the number of “Eurosceptics” and the proponents of rapprochement with Russia.

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**Optimists believed that EU association would provide Moldova with new opportunities. But ultimately it has not brought any happiness to the country’s citizens. At the same time, even if pro-Russian forces come to power, there will not be any abrupt reversal in the Moldovan economy.**

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In 2015, however, the European Union accounted for 53.1 per cent of Moldovan foreign trade, while Russia accounted for 18.4 per cent, Belarus accounted for 3.7 per cent and Kazakhstan accounted for 1 per cent.<sup>7</sup> Prior to the introduction of restrictions on Moldovan exports to Russia in response to the agreement with the European Union, Russia’s share of Moldovan foreign trade had been growing steadily. In order to reach an agreement with Moscow to lift the restrictions on Moldovan exports, even if the political will exists, it is essential to resolve the problem of Moldovan re-export, which accounts for more than a third of the goods Moldova ships abroad.<sup>8</sup> Moldovan citizens working outside the country are a significant factor for Moldova’s economy and politics. Even according to official, clearly understated, data, the majority of Moldovan expats live and work in Russia (477,949 people). But there are also large Moldovan diasporas in Italy (142,266 people), the United States (47,754), Canada (17,565), Spain (16,202) and Germany (14,815).<sup>9</sup> If we take into account the fact that some 400,000 Moldovan residents have already acquired Romanian passports – the easiest means for crossing European borders – the number of Moldovan citizens earning their livelihood in

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<sup>5</sup> More than a Third of Goods Exported by Moldova are Re-Exports // Noi.md. September 16, 2016. URL: [http://www.noi.md/ru/news\\_id/90987](http://www.noi.md/ru/news_id/90987)

<sup>6</sup> Close Competition among the Proponents of Joining European Union and Customs Union – Poll // Noi.md. October 21, 2016. URL: [http://www.noi.md/ru/news\\_id/92891](http://www.noi.md/ru/news_id/92891)

<sup>7</sup> European Union, Trade in Goods with Moldova // European Commission. URL: [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113419.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113419.pdf)

<sup>8</sup> More than a Third of Goods Exported by Moldova are Re-Exports // Noi.md. September 16, 2016. URL: [http://www.noi.md/ru/news\\_id/90987](http://www.noi.md/ru/news_id/90987)

<sup>9</sup> Ministry of Foreign Affairs and European Integration of the Republic of Moldova Announces Official Data on the Number of Moldovan Citizens Living Abroad // Noi.md. August 26, 2016. URL: [http://www.noi.md/ru/news\\_id/89997](http://www.noi.md/ru/news_id/89997)

the European Union is considerably higher.<sup>10</sup> Thus, there is no reason to expect an abrupt reversal in the Moldovan economy, even in the event that political forces that favour cooperation with Russia take over the helm in Chisinau.

### Limited alternatives

The presidential elections in Moldova were viewed both within the country and abroad as an opportunity (or a danger, depending on the foreign political preferences of the observer) to shift Chisinau's foreign policy approach in favour of Moscow. As expected, the leader of the Party of Socialists of the Republic of Moldova Igor Dodon, who called for developing relations with Russia, emerged victorious. However, the President does not have great powers in the country's political system. In order to implement his programme, Dodon will need to call early parliamentary elections (or wait until 2018), unite the leftist forces and ensure that they come to power, which is no easy task given the complex intra-party relations and the irrepressible ambitions of the leadership on the left wing of the Moldovan political scene. It is significant that leader of the Party of Socialists was unable to win the first round of elections due to a lack of votes, which went to the Partidul Nostru (Our Party) candidate Dumitru Ciubașenco. The latter harboured no expectations in terms of winning the election, but did not withdraw his candidacy. The Party of Communists led by Vladimir Voronin also made a contribution of their own with calls to boycott the elections.

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**In order to develop relations with Russia, the new President of Moldova will have to unite leftist forces and ensure that they come to power. However, the country is in any case doomed to oscillate between Brussels and Moscow.**

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It is also worth noting here that Dodon, an outspoken critic of association with the European Union, put his specific proposals into a very sleek formula: “we need to revise the Free Trade Agreement with the European Union in a trilateral format – Moldova, the European Union and Russia... and seek a return to asymmetric trade with EU countries at least for a transitional period of 5–10 years.”<sup>11</sup> This idea is quite sensible from the standpoint of Moldova's national interests, but it is not very realistic. It might have been supported in Moscow, but the assumption that anyone in Brussels would want to revise an Association Agreement that has already come into effect, and even more so with Russia, would seem to be “unscientific” fiction, although it was useful for winning sympathy among the heterogeneous electorate. All of this portends that, in terms of foreign policy and economic orientation,

<sup>10</sup> Romania Plans to Open 21 Voting Stations in Moldova for its Presidential Elections // IA Regnum. October 16, 2014. URL: <https://regnum.ru/news/polit/1857225.html>

<sup>11</sup> Dodon I. Moldovan Foreign Trade Relations Following the Signing of the EU Association Agreement // Moldova–Transnistria Region. 2016. No. 3–4 (32–33), p. 73.

Moldova will remain divided and doomed to oscillate between the two poles of Brussels and Moscow.

### Et tu, Brother?

The idea of unification with Romania is popular in Romania, but not so much in Moldova. According to one of the latest public opinion polls, 47 per cent of the Moldovan people are categorically opposed to unification with Romania and a further 20 per cent are against the idea. However, 13 per cent of respondents supported it and another 15 per cent see it as a favourable move.<sup>12</sup> In another study, people were asked which countries or unions they were most sympathetic to: 63 per cent cited Russia; 50 per cent said the European Union; and 37 per cent indicated Romania. In addition, 63.3 per cent of those polled said they opposed Moldova's unification with Romania, while 22.3 per cent supported such an alliance.<sup>13</sup> The Romanian authorities regard unification in the current conditions as an unrealistic idea, but are in favour of maximum rapprochement between the two countries in all spheres. However, proponents of Greater Romania, which has little chance of becoming a reality in the foreseeable future, do have a considerable borrowed political and electorate resource in the long term: as the likelihood of Moldova being admitted to the European Union moves closer to zero, proponents of Euro-integration will face the temptation of "entering Europe through the Romanian door."

### The fate of Transnistria

The key to resolving the "Transnistria issue" has been known for a long time – the "federalization of Moldova." Dodon has spoken favourably about this idea. It is equally clear that such a solution would be unacceptable for the European Union and the United States. It would not be redundant to recall the notorious "Kozak Memorandum" incident of 2003, when the plan to settle the Transnistria conflict and restore Moldova's integrity that had been agreed and initialled by both sides under pressure from Moscow was aborted on the eve of its signing through the joint efforts of the United States and the European Union.<sup>14</sup> This typical strangeness says a lot. Having taken on the "Europeanization" of post-Soviet countries, neither Brussels nor Washington believed it would be possible to use the federative structures of the United States or Germany, the federalization of Belgium, the similar experience of Spain, the devolution of the United Kingdom or the decentralization of Italy as a possible example for reuniting countries that had been separated by conflicts.

<sup>12</sup> Participants in the "Struggle for Bessarabia" Rally Continue Unsanctioned Demonstration // Pulse of the Planet. Europe. October 22, 2016, p. 7

<sup>13</sup> The Majority of Moldovan Residents Prefer Russia – Poll // Pulse of the Planet. Europe. June 27, 2016, p. 14

<sup>14</sup> Kozak Memorandum: Russian Plan to Unify Moldova and Transnistria // IA Regnum. May 23, 2005. URL: <https://regnum.ru/news/polit/458547.html>

Moreover, the current balance of political forces in Moldova does not inspire the sides to find an accelerated solution to the long-standing conflict. After all, the reunification of Moldova and Transnistria in any form would increase the potential of leftist and pro-Russian forces in the combined state to such an extent that they would be assured absolute dominance. But after Ukraine was transformed into a state that is hostile towards Russia, the course taken by the Pridnestrovian Moldavian Republic (PMR) towards Eurasian integration has turned into an illusion. Despite the proclaimed “reorientation towards the Customs Union market,” the share of Transnistrian exports to Russia fell to 7.7 per cent in January–November 2015, while Moldova’s share increased to 49.2 per cent, and Romania’s grew to 15.7 per cent. At the same time, Russia’s share in imports increased to 52.4 per cent.<sup>15</sup>

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**Dodon also believes that the “Transnistria issue” needs to be resolved through the “federalization” of Moldova. It is believed that uniting Moldova and Transnistria would ensure the domination of leftist and pro-Russian forces.**

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Under the threat of economic strangulation, the PMR authorities announced in late December 2015 that an agreement had been reached with Brussels on the continuation of duty-free trade. But the price paid for this was the PMR’s accession to the “advanced and comprehensive free trade area” with the European Union, albeit with a two-year transitional period. The actual result was the ability to dictate to Tiraspol the terms of foreign trade, further reorient trade flows and the hope in Brussels for the gradual “domestication” of the PMR. The geopolitical juggernauts are interested in taking advantage of the changing political scene in Moldova for their own gain. Brussels and Washington want to remove the «Europeanists», who have been caught embezzling and thus discredited themselves, and replace them with new political powers, new leaders who hold views closer to their own. But this will take time. Moscow faces a difficult task: consolidating the left-wing of the Moldovan political spectrum and ensuring its positions are preserved in the PMR, given the expected change in power in Tiraspol following the presidential elections. All this portends a shift in the geopolitical competition in both Moldova and Transnistria to a long-term “positional” confrontation and the continuation of a sluggish negotiation process between the two. None of the opponents are ready for more radical steps. The final outcome will be determined by the resources that are utilized. Perhaps Washington will be able prevent such a scenario from occurring, but trying to guess what President Donald Trump’s foreign policy will be an exercise in futility. He is not used to tolerating conventional wisdom: “That can’t be so, because it can never be so.”

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<sup>15</sup> Information Bulletin of Statistics for January–November 2015 // Ministry of Economic Development of the Pridnestrovian Moldavian Republic. December 21, 2015. URL: <http://mer.gospmr.org/gosudarstvennaya-sluzhba-statistiki/informacziya/informacionnyj-statisticheskij-byulleten/informacionnyj-statisticheskij-byulleten-za-yanvar-noyabr-2015-g.html>

## Tajikistan: What Kind of Future It Chooses...

Larisa Khoperskaya

*This article analyses various medium-term forecasts for the development of Tajikistan presented by the official authorities, international development partners, Eurasian structures, the Islamic opposition and independent experts. The scenarios for Tajikistan's future five years from now are considered under the titles: "Into the Eurasian Union," "The Chinese trap," "The Islamic alternative" and "The Island of Tajikistan."*

### A few words about the forecasts

As I begin to construct a forecast for what Tajikistan will look like in five years, I would like to outline some starting positions. First, a forecast as a method for the forward-looking reflection of reality always consists of probabilistic knowledge, since it is impossible to foresee all the factors involved in the political and economic development of a state, their dynamics and the degree to which they will influence the future. For instance, 2016 has been full of unpredictable events.

Second, there are programmatic and research-based types of forecasts. Programmatic forecasts formulate desirable goals and prospects, and they result in the creation of political and politico-economic documents. Since achieving the goals described in these documents requires the use of a variety of means, the ambiguity of their choice determines the probabilistic nature of achieving the goals themselves.

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**The scenarios are developed based on every possible combination of constants, i.e. features that do not change over the forecast period and the variables that reflect the dynamics of the situation.**

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The research-based approach to forecasting determines potential alternatives to the development of current processes. The results of this kind of forecasting are presented in the form of a set of scenarios that could take place with varying degrees of probability. The scenarios are developed based on every possible combination of constants, i.e. features that do not change over the forecast period and the variables that reflect the dynamics of the situation. For example, if international terrorism is viewed as a constant, the variables would be the degree and forms of a state's involvement in fighting terrorism.

The programmatic and research-based types of forecasts do not contradict, but rather complement each another, so we will have a look at both.

## Dushanbe's strategic goals

The programmatic approach is most frequently used when forecasting Tajikistan's future. In particular, the National Development Strategy of the Republic of Tajikistan for the to 2030 “identifies the goals and priorities of long-term development, taking into account the lessons that have been learned, the expectations and intentions of the country's population, existing resources and capabilities, internal and external factors, and forecasts for global and regional political and economic processes.”<sup>1</sup>

This document, which is based on the assumption that the domestic and foreign policy status-quo will be maintained, predicts that by 2030 Tajikistan will:

- achieve energy independence and transition to the efficient use of electricity; find a way out of the communications deadlock and become a transit country; ensure the population's food security and access to high-quality food;
- significantly increase the share of industry in the country's GDP; transform itself from an agrarian-industrial into an industrial-agrarian nation; alter the structure of exports by exporting finished goods and products instead of exporting raw commodities; increase its energy potential from 17 to 45 billion kilowatt-hours per year; increase exports of clean electricity to neighbouring countries to 10 billion kilowatt-hours using regional power transmission lines, including CASA-1000;
- build and reconstruct railways, roads, bridges, tunnels, logistics centres, airports, transport corridors and other elements of transport infrastructure, and also bring the level of their services into compliance with the international level;
- improve Tajikistan's investment climate and increase the share of private investments in the country's GDP from 5 per cent to 25 per cent;
- be included in the group of countries with an average income; completely eradicate extreme poverty, reduce the poverty rate by more than 50 per cent; increase the proportion of the middle class from 22 per cent to 50 per cent; and increase the official employment level from 40 per cent to 70 per cent of the total employed population;
- be included in the group of countries with a high level of human development potential; increase the enrolment of children in preschool educational institutions from 12 per cent to 50 per cent; ensure that the entire adult population has at least a secondary education; ensure that no less than half of the population employed in the economy has a higher education;
- increase life expectancy to 80 years and reduce the level of maternal and child mortality to international standards.

<sup>1</sup> Rahmon E. Speech at a Meeting of the National Development Council under the President of the Republic of Tajikistan // President of the Republic of Tajikistan. June 21, 2016. URL: <http://president.tj/ru/node/12210>

In the best-case scenario, this forecast will be fully met by 2030. Even in this happens, however, it should be noted that Tajikistan will still be an export-dependent country in 2021, a country that seeks to find a way out of the communications deadlock, ensure its energy independence and food security, and solve problems associated with poverty, employment, labour migration, life expectancy, education, health and social security.

### How do development partners view Tajikistan?

The authors of the Strategy admit that achieving its “goals and priorities to a large extent will depend on their funding from all sources, that is, the government, the private sector and development partners.” At the same time, they stress that the role of development partners, along with their financial and technical support, is crucial.

Development partners include: highly developed nations, whose experience “in the economy, social sphere, politics, science and technology, culture and modern technologies will contribute to the further political and economic development of the Republic of Tajikistan”; and international and regional financial institutions, with which intensifying cooperation will help to ensure “the country’s access to concessional loans and grant-based financial resources.”<sup>2</sup>

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**Partners have advised Tajikistan to “create a foundation for inclusive growth that would occur more at the expense of internal resources, along with investment in quality public services.”**

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It must be noted that the country’s development partners generally offer unfavourable forecasts. For example, in late 2015, World Bank analysts said that the Tajik economy’s development prospects were “broadly positive, but current forecasts are subject to significant downside risks.”<sup>3</sup> In June 2016, the World Bank and the Asian Development Bank lowered their growth forecasts for the Tajik economy for the next three years.

The World Bank’s Overview (2016) states that “Tajikistan’s economic growth is projected to significantly slow down in the medium term, with a very gradual recovery, putting the country’s poverty reduction gains of the last decade at great risk.” Moreover, since this economic trend will continue in the medium term, according to their estimates, partners have advised Tajikistan to “create a

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<sup>2</sup> Concept of the Foreign Policy of the Republic of Tajikistan. Approved by Decree No. 332 of the President of the Republic of Tajikistan dated January 27, 2015 // Ministry of Foreign Affairs of the Republic of Tajikistan. URL: <http://mfa.tj/?l=en&art=1072>

<sup>3</sup> Tajikistan: Moderate Slowdown in Economic Growth Rates against the Backdrop of a Sharp Decline in Household Purchasing Power // World Bank. URL: <http://www.vsemirnyjbank.org/ru/country/tajikistan/publication/economic-update-fall-2015>

foundation for inclusive growth that would occur more at the expense of internal resources, along with investment in quality public services.”<sup>4</sup>

Statistics provided by partners on the development of foreign aid to Tajikistan point out the need for a greater focus on internal resources.<sup>5</sup> This aid amounted to \$3.072 billion in the period from 2002 to 2015. Meanwhile, the ratio of foreign aid in relation to the country’s GDP went down from 19 per cent in 2002 to 4.3 per cent in 2014. In 2015, the figure stood at 7.3 per cent of GDP. In 2015, the total amount of commitments by development partners reached \$624.02 million, while payments totalled \$310.8 million.

Experts from western funds warn that there is a real chance in the medium term that a number of Tajikistan’s international ratings could be downgraded “due to the country’s failure to fulfil international commitments in matters of human rights.” In turn, “a downgrade in ratings will automatically affect the size of financial aid and credit portfolios available to Tajikistan from the main international financial organizations, which could significantly complicate the government’s efforts to stabilize the economy.”<sup>6</sup>

Political statements by US President-elect Donald Trump, as well as problems within the European Union, the migration crisis and the changes expected as a result of the elections in France and Germany in 2017 provide sufficient grounds to predict that western development partners will have less influence on the situation in Tajikistan over the next five years.

### Will Russia involve Tajikistan in the Eurasian project?

Russia is the main strategic partner of Tajikistan. It views the country as an ally and a member of the Eurasian Economic Union (EAEU) in the medium term. There are two main arguments for this forecast: first, Eurasian integration associations (above all the Collective Security Treaty Organization and the Commonwealth of Independent States) call for ensuring the security, national independence and territorial integrity of Tajikistan; second, the more than 1 million Tajik migrants living, legally or otherwise, in the Russian Federation remitted a total of \$2.219 billion in 2015, which is 28.26 per cent of Tajikistan’s GDP (in spite of the economic crisis, the decline in the exchange rate of the rouble and stricter migration legislation). Migration to Russia remains virtually the only way to ensure an acceptable standard of living for hundreds of thousands of people. On top of this, Russia has a presence

<sup>4</sup> Overview on Tajikistan // World Bank. URL: <http://www.vsemirnyjbank.org/ru/country/tajikistan/overview>

<sup>5</sup> Foreign Aid Report – 2015 // State Investment and State Property Management Committee of the Republic of Tajikistan. Dushanbe, 2016, p. 6. URL: [http://amcu.gki.tj/images/FAR\\_2015/far\\_2015\\_ru.pdf](http://amcu.gki.tj/images/FAR_2015/far_2015_ru.pdf)

<sup>6</sup> Mullodzhanov P. Tajikistan in 2016: main challenges, risks and development trends // ASIA-Plus. Media-group/Tajikistan. URL: <https://news.tj/ru/news/tadzhikistan-v-2016-godu-osnovnye-vyzovy-riski-i-tendentsii-razvitiya>

in the country in terms of education and science, and provides a wide range of humanitarian and economic aid.

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**A survey conducted in 2015 revealed that 69 per cent of young people (under age 34) in Tajikistan and 75 per cent of the older generation generally have a positive attitude towards Eurasian integration.**

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In 2013, the Eurasian Development Bank Centre for Integration Studies (EDB Centre for Integration Studies) showed that the potential economic effects of Tajikistan's accession to the EAEU have three main components which would enable the country to not only resolve its urgent social and economic problems, but also to enter onto a path of sustainable growth: attracting investments, improving productivity and addressing the issue of labour migration.<sup>7</sup> A survey conducted by the EDB Centre for Integration Studies in 2015 revealed that 69 per cent of young people (under age 34) in Tajikistan and 75 per cent of the older generation generally have a positive attitude towards Eurasian integration.<sup>8</sup>

However, representatives of the administrative and the political elite are in no hurry to take public opinion into account. They claim that joining the EAEU would jeopardize Tajikistan's sovereignty and force it to abandon cooperation with China, the West and Saudi Arabia. On August 2, 2016, Deputy Minister of Economic Development and Trade of the Republic of Tajikistan Umed Davlatzod said that Tajikistan's economy is developing just fine without the EAEU and that all the issues on which the EAEU could help had already been settled on a bilateral basis between Russia and Tajikistan.<sup>9</sup>

### The Chinese project

One special aspect of Tajikistan's strategic cooperation with China is that the latter views Tajikistan's future within the context of the Silk Road Economic Belt project. First, the project aims to create markets for Chinese goods, which will be achieved by the construction of a transport infrastructure (railways, roads and tunnels) to carry these goods and expand the purchasing power of partner countries, specifically Tajikistan; second, it aims to provide access to resources by investing in their development and processing. China has already gained access to the development of a major silver deposit and several oil and gas fields. It has also secured a 49-year lease for agricultural land to grow cotton and other types of

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<sup>7</sup> Assessment of the Economic Effect of Tajikistan Joining the Customs Union and the Eurasian Economic Space: Report No. 14, 2013 / EDB. St. Petersburg, 2013.

<sup>8</sup> EDB Finds Overall Positive Attitude among Tajiks to Joining the EAEU // ASIA-Plus. Media-group / Tajikistan. URL: <http://news.tj/ru/news/eabr-zafiksiroval-obshchii-pozitivnyi-nastroi-tadzhikistantsev-k-vstupleniyu-v-eaes>

<sup>9</sup> Ministry of Economic Development: Tajikistan Doing Fine Without EAEU (August 2, 2016). URL: <https://news.tj/ru/news/minekonomrazvitiya-tadzhikistan-spravlyaetsya-i-bez-eaes>

agricultural products. The project's initial achievements are impressive – China ranks first among investors (53.4 per cent) and second among importers (22.2 per cent), while foreign trade turnover totalled \$792.9 million in 2015.<sup>10</sup>

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**In the coming years, China plans to use grant funds to build 11 facilities on the border between Tajikistan and Afghanistan and open a military training centre.**

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This forecast is based on the assumption that, within five years, various economic tools that aim to “link” the Tajik economy to China will be utilized to an even greater extent: the provision of major concessional loans which Tajikistan should use to purchase Chinese goods; the expanded construction of pipeline and transport infrastructure; lending for oil and gas supplies; the granting of licenses for the development of mineral fields, including precious metals that will be processed in China; the construction of metallurgical plants (lead and zinc, among others) as well as aluminium cryolite, aluminium fluoride and sulphuric acid production enterprises.

“The increasing economic influence is being followed by growth in other sectors as well, including in matters of security.”<sup>11</sup> China has established a military anti-terrorism coalition involving China, Pakistan, Afghanistan and Tajikistan in order to exchange intelligence information and train personnel. In the coming years, China plans to use grant funds to build 11 facilities on the border between Tajikistan and Afghanistan and open a military training centre.

Further involvement in the orbit of China's economic interests will undoubtedly help Tajikistan to achieve its socioeconomic goals, but will deprive it of economic independence.

### Islamic alternatives

Foreign experts have given alarmist forecasts concerning the future of Tajikistan's political system, arguing that the current socioeconomic and political situation is fraught with conflicts, that there is a serious risk of a *coup d'Etat* and that “many people would readily accept another national idea, and only Islamists could offer an attractive doctrine in the conditions of Tajikistan.”<sup>12</sup>

Experts from the Valdai Discussion Club argue in the same vein, citing the possible scenario in which “a collapse in one of the weakest and poorest of the

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<sup>10</sup> Socioeconomic Position of the Republic of Tajikistan. January–December 2015. Dushanbe: Statistics Agency under the President of the Republic of Tajikistan, 2016, p. 245.

<sup>11</sup> Shelydyakova M. Border Crossings in Tajikistan: China's Economic Expansion Yields Fruit // Sputnik. September 28, 2016. URL: <http://ru.sputnik-tj.com/analytics/20160928/1020750849.html>

<sup>12</sup> Seyidov A. Real Mass Cult // Lenta.ru. November 30, 2016. URL: <https://m.lenta.ru/articles/2016/11/30/tadzhikistan>

Central Asian states and the emergence in its place of an unmanageable territory ruled by armed gangs who interpret sharia law in their own way,” could take place.<sup>13</sup>

Indeed, prior to the start of Russia’s actions in Syria, the main threat to Tajikistan was the so-called Islamic State (IS) international terrorist organization, which seeks to create a “caliphate without borders and nations.” The Khorasan Group of IS operates in Afghanistan, Pakistan, Turkmenistan, Tajikistan and Uzbekistan and aims to spread a caliphate throughout the historical territory of Khorasan, that is, it wants to eliminate independent, internationally recognized states. Medium-term forecasts of IS ideologists saw Tajikistan as a “velayat of the Khorasan Province.”

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**It is obvious that Tajikistan will continue to play this role over the next five years, but it will only be able perform it in cooperation with international anti-terrorist structures; whether it will be as part of a coalition headed by Russia, the United States or Saudi Arabia, however, is another matter.**

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The threat of IS gaining influence was not imaginary. In the first half of 2016 alone, four attempts to carry out terrorist attacks were prevented in Tajikistan – in Dushanbe, Kurgan-Tyube, Khujand and Panjakent – and more than 360 members of terrorist and extremist groups were detained. According to President of Tajikistan Emomali Rahmon, “Tajikistan has been given the difficult mission of serving as a buffer for the spread of... terrorism, radical extremism and the smuggling of weapons and drugs.”<sup>14</sup> It is obvious that Tajikistan will continue to play this role over the next five years, but it will only be able perform it in cooperation with international anti-terrorist structures; whether it will be as part of a coalition headed by Russia, the United States or Saudi Arabia, however, is another matter.

At present, the forecast for the establishment of a state based on radical Islamic ideology in Tajikistan is an unlikely one. The active battle against radical Islam is producing results: a ban has been handed down on the activities of the Islamic Renaissance Party of Tajikistan, whose programme stated that the party “proceeds in all life affairs from divine inspiration and does not recognize any law that contradicts sharia”; the Committee on Religious Affairs is carrying out monitoring activities; national traditions and celebrations within the Tajik government have

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<sup>13</sup> Bezrukov A., Mamonov M., Markedonov S., Sushentsov A. International Threats – 2016: Report at a Meeting of the Valdai International Discussion Club // Valdai International Discussion Club. March 29, 2016. URL: <http://ru.valdaiclub.com/upload/iblock/343/343230ab6e89107dff6199873c9f1a1b.pdf>

<sup>14</sup> Rahmon E. Speech at an Open Meeting of the Security Councils of the Collective Security Treaty Organization on the priorities of Tajikistan’s chairmanship in the CSTO (December 23, 2014) // President of the Republic of Tajikistan. URL: <http://www.president.tj/ru/node/8053>

been adjusted for Friday sermons at mosques; a campaign against wearing beards and hijabs has been initiated; and anti-Salafi propaganda is spreading, among other efforts.

The forecast of controlled Islamization appears much more realistic. This forecast is based on the significant strengthening of economic and political ties with Islamic states such as Saudi Arabia and Qatar. Their financial support is being used to build a new parliamentary centre, Central Asia's largest Great Mosque in Dushanbe, which can accommodate 115,000 visitors, and an Islamic university. In addition, discussions are being held on Saudi Arabia's involvement in funding for the construction of medium and large hydroelectric power plants, textile enterprises, mineral extraction and processing enterprises, and land irrigation companies. The increase in Islamic investment, which ranks third in terms of volume after Chinese and Russian investment, should inevitably affect the Tajik political system in the medium term.

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The projects considered here with regard to the future of Tajikistan five years down the line reflect both the country's own assessments and how it perceives the key players in the region. It is obvious that none of the projects will be realized in their "pure" form, as they will inevitably be affected by external factors.

Based on the method of presenting various scenarios, we believe that the constants that will be in play regardless of the project that will come into effect include: the transition to a multipolar world (a new world order); demographic problems (birth rate, a surplus of labour resources and mass migration); integration processes; the global economic crisis; a lack of development resources; regional water and energy problems; and the threat of international terrorism. The variables include: the role of global players in the region (Russia, China and the West) – the redistribution of influence, cooperation and confrontation; the threat of IS – its rise or disappearance; the state of the Tajik political system – strengthening or destabilization; the level of economic development – growth, stagnation or a decline (GDP, the budget formation structure and the share of migrant remittances); and international assistance – a decrease or increase in the amount provided.

The following main scenarios may result from the potential combinations of the constants and variables:

- **“Into the Eurasian Union,”** which would be facilitated by: the strengthening of Russia's influence in the global arena; the lifting of Western sanctions; the strengthening of the Collective Security Treaty Organization's (CSTO) positions; the development of mutually beneficial relations between Russia and China; the political activity of the population; restrictions on the role of clans in adopting political decisions; and Tajikistan's participation in harmonizing regulatory legal acts within the framework of the CIS;

■ Larisa Khoperskaya

- **“The Chinese trap,”** in which the Tajik economy would become an appendage of China. This scenario is likely in the event that: Chinese economy grows dramatically; the Eurasian project fails or is incorporated into the Silk Road Economic Belt project; Chinese loans grow larger in volume; and corruption among the elites intensifies;
- **“The Islamic alternative.”** This scenario involves making preparations for changes to the political system to happen “from below,” which is unlikely, or “from above” through the strengthening of authoritarianism, the expanded manageability of Islam, the bulk of foreign aid coming from Saudi Arabia and ideological rapprochement with Islamic states;
- **“The Island of Tajikistan.”** A situation in which Tajikistan for various reasons has to resolve its own problems by itself, without attracting any external resources. In the absence of socioeconomic achievements, there would be a more active desire to: “bid farewell to the Soviet past in everything, including in the capital” (S. Sharipov), which has been taking place over the past two to three years: rename streets and cities; and the voluntary and compulsory change surnames ending in “ov(a)” and “ev(a).” The Russian Drama Theatre in Dushanbe was given as a ritual offering in this regard in 2016, and the building was demolished in a matter of days. Isolationism would intensify; a visa regime would be introduced for citizens; there would be restrictions on the use of communications technologies; and “in the event of a deterioration in the situation it would be possible to forecast... the further tightening of state policy, even with respect to non-political critics of the authorities, independent media outlets, etc.”<sup>15</sup>

<sup>15</sup> Mullodzhanov P. Tajikistan in 2016: Main Challenges, Risks and Development Trends // ASIA-Plus. Media-group / Tajikistan. URL: <https://news.tj/ru/news/tadzhikistan-v-2016-godu-osnovnye-vyzovy-riski-i-tendentsii-razvitiya>

# Turkmenistan: Scenarios for an Uncertain Future

Andrey Kazantsev

*The situation in Turkmenistan is currently characterized by an extremely high level of uncertainty and risk. Under such conditions (called the “system bifurcation point”), a rather large number of options for an alternative future are generally possible. Security will play a major role in the country’s evolution. The most unfavourable scenarios could lead to the collapse of statehood, inter-tribal war and the overall “Afghanization” of the country.*

*Favourable scenarios could lead to the long-suffering people of Turkmenistan finally being able to take advantage of their oil and gas wealth and receive decent education and healthcare systems (similar to what happened in Persian Gulf countries, and also in Libya prior to the civil war). However, as a rule, the extreme scenarios are the least likely. Thus, in the long term, a “no change” scenario is most likely, in which the current status-quo will be maintained, with certain fluctuations in either direction.*

## “No change” scenario

Demographic indicators do not change massively, so they are generally easier to predict than forecasts based on other indicators. Given the low median age of the Turkmen population, we can predict that population growth in the country will continue for at least another 20 to 40 years, i.e. until 2050, although it will gradually slow down. The population’s young age structure will automatically produce a relatively high birth rate.

Turkmenistan is a country with abundant labour resources. This will inevitably continue in the future. The situation is characterized by a very high level of hidden unemployment, particularly in rural areas. Young people who have been squeezed out of the agricultural sector are unable to find work in the cities, which creates fertile ground for criminalization, social marginalization, drug abuse and potentially Islamist extremism.

The low level of education among the population and the high risks inherent in the Central Asian region make it impossible to forecast any major shifts in the structure of the economy, despite the pursuit of an industrialization policy that has produced certain results in hydrocarbon processing and the chemical industry and textile industries, but has not fundamentally changed the economic picture. The country’s economy remains dependent on global gas prices, and the prosperity of the majority of the population is tied to the situation in agriculture, both in terms of the rural population’s income, as well as the accessibility of food products for citizens.

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**The evolution of the identity of the majority of the population is also a phenomenon that changes little and is determined by long-term trends.**

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The relatively high GDP per capita, as well as the fact that Turkmen citizens do not generally leave the country for seasonal work to earn money, which is seen in neighbouring Tajikistan, Kyrgyzstan and Uzbekistan, will not contribute to a major

migration outflow. The existing migration patterns, where internal migration dominates, will more than likely continue. Russia will probably remain the primary destination for external labour migration and shuttle trade, although the level is rather (compared with other Central Asian countries). External migration flows will be distributed between Russia, Turkey, Iran, the Persian Gulf countries and perhaps China, South Korea and the European Union.

The evolution of the identity of the majority of the population is also a phenomenon that changes little and is determined by long-term trends. In this regard, Turkmenistan will most likely remain “a nation of tribes” in the long term, i.e. people will identify themselves more as Akhal Teke, Mary Teke, Yomut, Ersari, Goklen, etc., and not as Turkmens. However, in the long run, this does not automatically mean that there will be an increase in tribal conflicts or, moreover, that the country will disintegrate. Strife among tribes will be determined by the overall security situation in the region and the country as a whole.

As regards the “no change” scenario in the evolution of foreign policy, a certain tradition combining a multi-vector nature and isolationism has already been established. Turkmenistan tries to minimize contact with other external players (with the exception of the purely economic sphere), while diversifying contacts as much as possible. This provides maximum economic profit and dividends from the standpoint of preserving the existing political regime. Thus, Ashgabat will try to continue this policy for as long as possible.

The key interest for Turkmenistan is the construction of new gas pipelines. In its previous stage of development, the country was able to overcome its trade and transit dependence on Russia. Unfortunately, this “overcoming” took the form of an almost complete cessation in gas trade with Gazprom. As a result, Turkmenistan now depends on gas supplies to China, which are not under particularly favourable price conditions. Iran also purchases small amounts of gas.

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**Turkmenistan tries to minimize contact with other external players and will try to continue this policy for as long as possible.**

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Thus, Turkmenistan will seek to build a new gas pipelines. Key among them are the Trans-Caspian Gas Pipeline to the European Union and the Turkmenistan – Afghanistan – Pakistan – India Pipeline (TAPI) to India (through Afghanistan and Pakistan). However, instability in Afghanistan poses an obstacle to the construction of TAPI. Unfortunately, such instability is long-term in nature, and it will therefore be impossible to build the TAPI pipeline within the framework of the “no change” scenario. The Trans-Caspian Gas Pipeline has met serious objections from Russia and Iran, and along with the unresolved status of the Caspian Sea, which Iran – Turkmenistan’s neighbor and a competitor in gas sales to Europe – can always use to block the project. Thus, the likelihood of the Trans-Caspian Gas Pipeline being built under the “no change” forecast is not very high, either. There is a somewhat higher probability that China will expand its gas purchases and Russia will resume

gas transit by Russia, or that Iran will increase gas purchases to supply its northern provinces and free up gas for export to the European Union.

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**In the “no change” scenario, the Turkmen authorities will manage to keep these processes under a certain level of control, which will help to preserve neutrality, meaning that they will not have to resort to foreign military aid.**

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We can expect the Islamic religious revival to continue, even under the “no change” scenario. Unfortunately, this will be accompanied by the increased threat of religious extremism and terrorism. The latter will have negative interplay with the instability in neighbouring Afghanistan and with the prospect of the Middle Eastern conflict expanding into Central Asia and Afghanistan (including through mechanisms to recruit international terrorists and militants, Islamic State infiltrating Afghanistan and Central Asia, and the inflow of funds from the Middle East to support extremist and terrorist groups). However, under the “no change” scenario, the Turkmen authorities will manage to keep these processes under a certain level of control, which will help to preserve neutrality, meaning that they will not have to resort to foreign military aid.

The **worst-case scenario** involves an excessively sharp increase in pressure on the international situation due to the decrease in hydrocarbon prices and the subsequent economic crisis, as well as to the situation in Afghanistan and the Middle East. The combination of unfavourable external factors and economic crisis could create the conditions for further growth in inter-tribal conflicts. In this situation, particularly in the event of major incursions from Afghanistan, including by the Turkmen tribes living there, it is even possible that the state could collapse. Since this would imply international terrorists making their way behind the lines of the Collective Security Treaty Organization (i.e. directly to Kazakhstan, which for now is located in the relative rear, far from the Afghan border), Russia and the CSTO would inevitably interfere. China would not leave its investments in the country unprotected, either. In this case, Turkmenistan may be forced to abandon its neutral status.

The **best-case scenario** involves mitigating regional risks in Central Asia, Afghanistan and the Middle East. This would create a favourable environment in which to reduce risks within Turkmenistan as well as the construction of the TAPI pipeline. This scenario would also entail deescalating the confrontation between Russia and the West, as well as the standoff between Iran and the West. This would create the right conditions to build the Trans-Caspian Gas Pipeline. In this case, Turkmenistan would be able to more fully take advantage of its gas resources. Much would then also depend on the ability of the authorities to properly manage cash proceeds from the sale of hydrocarbons and use them to ensure the country’s prosperity and the well-being of the population. Under this scenario, Turkmenistan would realize the long-cherished dream of its people to transform itself into a post-Soviet Kuwait or Qatar – a dream that has existed since the country gained independence.

## Uzbekistan 2020: The Problem of Transformation at a Time of Uncertainty

Artem Dankov

*Uzbekistan marked the 25th anniversary of its independence under difficult conditions. The illness and subsequent death of President Islam Karimov caused analysts and diplomats to seriously reflect on the possible scenarios for the Republic's development. Fortunately, the numerous alarmist forecasts that the death of Uzbekistan's first President could lead to a serious conflict among the elites or a revolt by Islamists failed to materialize. The Uzbek people once again proved their wisdom and commitment to the sustainable development of the country. At the same time, the overly optimistic forecasts predicting a decisive turn towards Russia, the strengthening of the Eurasian vector of the country's foreign policy and closer cooperation with the Collective Security Treaty Organization (CSTO) and the Eurasian Economic Union (EAEU), proved to be unjustified.*

When discussing possible development scenarios for Uzbekistan, it must be understood that the main task facing the country in the coming years is to transform the country's economic and social system in the face of a wide range of internal (population growth, unemployment and Islamic underground resistance) and external (decrease in global commodity prices and political instability in neighbouring countries) challenges while maintaining an authoritarian political regime.

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**Despite the progress made by the Uzbek government to limit the birth rate, rapid population growth continues to pose problems for the state.**

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The stability that Uzbekistan managed to preserve with great difficulty following the collapse of the Soviet Union is becoming a thing of the past. In recent years, the numerous contradictions that exist in the Uzbek economy and society, as well as the massive changes in the global arena, have forced the country's leadership to pay more attention to the controlled transformation of society and the economy than the preservation of the *status quo*. Under these circumstances, the problems of improving the effectivity of the economy and the system of governance have come to the forefront. In changing conditions, it is difficult to forecast the specific decisions that the Uzbek leadership will adopt. However, it is possible to identify a decision-making corridor – a set of conditions and factors that will have a decisive influence on the choice of the country's development path.

At present, there are three groups of influential factors that will form the decision-making corridor for the Uzbek authorities over the next decade.

### The first group of factors is demographics

The first group of factors is demographics. To begin with, there is the growth in the Uzbek population, which has increased by 50 per cent over the past 25 years, from 20.7 million in 1991 to 31.8 million in 2015 and continues to expand by an average of

0.5 million people per year.<sup>1</sup> Starting in the early 2000s, this demographic pressure forced the Uzbek government to take a number of measures to limit and even reduce the birth rate, from 32.6 per thousand in 1991 to 23.3 per thousand in 2015 per.<sup>2</sup> During the same period, the average number of children per woman declined from 4.2 to 2.4.<sup>3</sup> The progress made in this regard is certainly impressive. However, the measures to reduce the birth rate were accompanied by numerous controversies, and international organizations have repeatedly reported on the forced sterilization of women in the country.<sup>4</sup> At the same time, the young population structure in the country's demographics, in addition to the increase in life expectancy and other factors, suggest that in the coming years high growth rates will continue in the Uzbek population, which will reach 36–37 million people by 2025, comparable with the population of Ukraine.<sup>5</sup> Moreover, two thirds of the Uzbek population will be made up of people who were born after the collapse of the Soviet Union.

The second factor is the active migration of the population and accelerated urbanization. The continued population growth combined with the complex natural and climatic conditions (two thirds of Uzbek territory consists of deserts, steppes and mountains) gives rise to the problem of overpopulation in certain regions of the country. The population density in the Fergana Valley and Khorezm Region, for example, is comparable to that of the most densely populated areas of Europe (North Rhine-Westphalia in Germany, Lombardy in Italy and Silesia in Poland) and the Middle East (Lebanon and Israel). Uzbekistan, like other Central Asian countries, suffers from rural overpopulation. A minimum level of fertile land area has been established per person. The further expansion of cultivated land (extensive farming) through irrigation is impossible since the region suffers from water shortages. The intensification of farming is currently complicated by a lack of fertilizer, machinery and skilled workers. As a result, agrarian regions have experienced a decrease in crop yield, the soil is deteriorating and agriculture is rendered ineffective. Consequently, unemployment rises. The population is virtually being pushed out of rural areas to the cities, which have proven unprepared to accept the stream of re-settlers in terms of infrastructure and the labour market. For this reason, the Uzbek government is using various means in an effort to limit the inflow of migrants, particularly to Tashkent and the Tashkent Region use a strict system of registration and severe penalties for the failure to comply with passport regulations. Despite all this, the proportion of the urban population increased from 40 per cent in 1990 to 51 per cent in 2015, while the population of such cities as Andijan and Samarkand has almost doubled.

<sup>1</sup> Average Annual Permanent Population According to DATA // The Interstate Statistical Committee of the Commonwealth of Independent States. URL: <http://www.cisstat.com/>

<sup>2</sup> According to the Demoscope website. URL: <http://www.demoscope.ru/>

<sup>3</sup> According to the Demoscope website. URL: <http://www.demoscope.ru/>

<sup>4</sup> Antelava N. Uzbekistan Sterilizing Women without their Knowledge or Consent // BBC. URL: [http://www.bbc.com/russian/international/2012/04/120412\\_uzbekistan\\_sterilisation](http://www.bbc.com/russian/international/2012/04/120412_uzbekistan_sterilisation)

<sup>5</sup> According to forecasts, the population of Ukraine excluding Crimea and the Donetsk and Luhansk People's Republics may decrease to 36–37 million people by 2025.

Thirdly, the problem of national identity and the status of ethnic minorities remains important amidst the major demographic change. Uzbekistan is the birthplace of ancient culture, but is a rather young nation. It is young in terms of how long it has existed (the formation of the modern Uzbek nation is rooted in the national territorial demarcation carried out by the Soviet authorities in the 1920s, while it has existed as an independent state for just a quarter of a century) and in terms of the age of the general population (57 per cent of the Uzbek population is under the age of 30).<sup>6</sup> Despite the increase in the proportion of Uzbek people in the republic's population makeup (from 71.4 per cent in 1989 to 82.9 per cent in 2013), language and social differences remain between natives of different regions. Meanwhile, ethnic minorities (above all Slavs and Koreans) continue to play an important role in industry, the services sector, healthcare and education.<sup>7</sup>

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### **Measures to restrict the export of capital create conditions for corruption.**

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#### The second group of factors is economics

The second group of factors is economics. To begin with, the main problem accompanying the population growth has been unemployment. According to official data, the number of unemployed people in Uzbekistan in 2015 totalled 0.7 million (5.2 per cent of the working-age population). However, according to the CIA, approximately 20 per cent of the republic's population is underemployed or self-employed. In particular, a significant proportion of these people are engaged in labour migration abroad.<sup>8</sup> According to some experts, the real unemployment rate is around 20 per cent in cities and 40 per cent in rural areas. Creating jobs is one of the priorities for the country's leadership. However, the majority of the jobs created are characterized by a low level of worker productivity and wages, and they are predominantly in the services or public sectors.

Second, another important factor that will determine Uzbekistan's development over the next five years is the transformation of the existing economic model in the country. This model emerged as a response to the economic challenges of the post-Soviet period and has a number of distinctive features.

1. Protectionism and the protection of the domestic market. High duties have been imposed on imports of cars, trucks, apparel, footwear and other consumer goods in order to support Uzbek manufacturers.

2. Strict regulation of the currency market. The country actually has two exchange rates: an undervalued official exchange rate and the black market rate.

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<sup>6</sup> According to data from the International Institute for Strategic Studies.

<sup>7</sup> According to data from the State Statistics Committee of the Republic of Uzbekistan. URL: <https://www.stat.uz/ru/>

<sup>8</sup> The World Factbook. CIA. 2015. URL: <https://www.cia.gov/library/publications/the-world-factbook/geos/uz.html>

3. Increasing the export of goods that are in demand on the global market, primarily mineral resources (natural gas, uranium and gold). For example, Uzbekistan was actively involved in the project to build the Central Asia – China gas pipeline and is expanding gas supplies to China and Russia.

4. Export of manpower.

The constituent elements of Uzbekistan’s economic system contain a large number of contradictions. Protectionism helps to create large number of jobs in such labour-intensive industries as automobile manufacturing, the textiles and sewing industries and the production of footwear and accessories. However, this often affects the quality and cost of Uzbek goods. In addition, it does not contribute to increased productivity and also preserves inefficient employment. Strict currency regulation helps to avoid capital flight from the country and requires that the bulk of profits be reinvested in the country. This creates fertile conditions for corruption. The expansion of mineral raw material exports has made it possible to generate additional foreign exchange earnings, but cannot serve as a “growth point” for the economy for two reasons: first, hydrocarbon prices have fallen dramatically over the last two to three years and should not be expected to return to their previous levels; second, oil production in Uzbekistan has been declining since the late 1990s, while the increase in natural gas production has been accompanied by growth in consumption within the country, which periodically creates a situation where restrictions are imposed on domestic consumers in order to meet obligations to foreign buyers. The energy deficit alone places serious constraints on the development of the Uzbek economy. Electricity production amounted to 57 billion kWh in 2015, which is the same as the 1990 level. Given that the country’s population has increased by 50 per cent over this period, the supply of electricity has significantly reduced. Thus, electricity and gas shortages, particularly in rural areas, remain a serious problem in Uzbekistan. In some localities, electricity and gas are only supplied for a few hours a day. The expansion in labour migration has eased the tension on the labour market; however, it has negative economic and social implications (depletion of personnel, and the spread of propaganda among labour migrants by activists from radical Islamist groups, respectively).

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**The higher education system in Uzbekistan does not provide the country with a sufficient number of highly skilled workers.**

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In the 2000s, growth in global mineral raw material prices and demand for labour enabled Uzbekistan to maintain a positive trade balance and reduce the strain on the national labour market. Under these favourable external conditions, the weaknesses of the national economy did not have a serious negative impact. However, the end of the raw commodity super cycle on the global markets and the economic crisis in Russia and Kazakhstan have once again made it necessary to think about how to improve the effectivity of the economy and the governance

system in the country. One serious challenge for the Uzbek economy is its dependence on external markets, which are located at considerable distances from Uzbekistan: European nations (Russia, Germany and Ukraine) and Asia (China and South Korea). Despite the growing population, living standards in Uzbekistan remain at a low level, which makes it impossible to rely on the domestic market due its small size. Neighbouring countries are also unable to act as consumers and account for only 16 per cent of the republic's foreign trade turnover. The populations of Afghanistan, Tajikistan and Kyrgyzstan are even poorer than that of Uzbekistan, and access to the markets of Kazakhstan and Turkmenistan is hindered.

Additional problems are created by corruption, monopolism and the state's excessive presence in the economy. Another serious challenge for Uzbekistan is the problem of the quality of human capital. The Uzbekistan economy is undergoing a powerful transformation, and therefore demand for skilled professionals capable of improving the country's competitiveness and spurring economic growth is growing. Unfortunately, the system of education and professional training in Uzbekistan is not currently prepared to provide a workforce that has all the necessary skills to rapidly change the economy. The most acute problem is the shortage of personnel with university degrees. The feature of the country's higher education system is that there is limited access to universities and there are doubts about the quality and relevance of the knowledge and skills acquired by graduates. There is also a serious shortage of staff at secondary schools and colleges.<sup>9</sup>

### The third group of factors is politics

The third group of factors is politics. First of all, settling relations with Tajikistan and Kyrgyzstan remains an acute problem. The existing complex tangle of contradictions in this regard includes disputed sections of the border, projects to build hydropower plants in Kyrgyzstan and Tajikistan, conflicts surrounding water distribution, and the status of Uzbek minorities in the border regions of neighbouring countries. Second, there is the problem of maintaining a balance between the various groups within the Uzbek elite and the distribution of power among their representatives.

In response to the question of what Uzbekistan will be like in five years, we can confidently state a few things. First, no radical changes in Uzbekistan's foreign and domestic policy should be expected. There is a consensus among the republic's elite in favour of continuing the controlled transformation policy without any serious changes in political orientation. Second, a process will be launched to increase the effectivity of the largest companies and the economic system as a whole through the decentralization and de-monopolization of individual sectors. Third, we can expect the social mobility of the Uzbek population to increase. This will be accompanied

<sup>9</sup> "Under the Strains of an Ageless Waltz". Teachers Leaving Schools En Masse in Uzbekistan // IA Fergana. URL: <http://www.fergananews.com/articles/9162>

by the return of a large number of migrant workers, although some of them will not return because of their opposition and religious activities and will therefore become full residents in their host countries, which creates challenges, for example, for Russia. Fourth, a clear trend has been seen in the form of China strengthening its economic influence. The Uzbek government will try to balance this by strengthening its military, political and economic cooperation with Russia. Fifth, we should not expect Uzbekistan to join the EAEU, since it would be impossible to achieve without destroying the existing economic system and rejecting protectionism and strict currency regulation based on a dual exchange rate. Sixth, the struggle to improve the quality of human capital will remain an important challenge. This makes Uzbekistan an attractive market for the export of Russian educational services.

Uzbekistan should and will change; however, the country's main objective is to control and guide the changes that are taking place in how this development is facilitated.

# Ukraine after Thirty Years: Manoeuvring between Geopolitical Centres

Anton Naychuk

*Ukraine remains on the path of international self-determination and experimenting with the modelling of its state. The process of European and Euro-Atlantic integration is complicated by internal political circumstances and its foreign policy. What follows are current assessments of the political process in the country and the possible scenarios for the next five years.*

The collapse of the Soviet Union marked the start of the formation of a new independent country on the world map. Ukraine was granted unprecedented opportunities to develop its own statehood, create a model for a modern democratic political system, realize its economic potential, consolidate civil society and enjoy self-determination in the international arena. Today, after 25 years of independence, Ukraine has learned once again just how difficult and time-consuming these processes are, and dependent on a number of subjective and objective circumstances. The establishment of a progressive state is a long journey, and a quarter of a century is only a short phase that not only forms the relevant socio-political and economic trends, but also requires proper review in order to carry out future reforms.

## Current trends of Ukrainian politics

Right now, Ukraine needs to take a step forward on its own path of political reform and find long-awaited stability. At the same time, our task is to present a forecast concerning the timeframe for the nation to achieve its strategic objectives, as well as the prospects for doing so and the problematic aspects that could arise in the process of working towards these objectives. However, the country continues to seek a way out of difficult situations. Having settled on European and Euro-Atlantic integration as a priority in its foreign policy strategy, Ukraine has become the centre of a geopolitical confrontation, as it remains in the orbit of Russia's influence. In addition to its foreign policy problems, Ukraine is experiencing a number of difficulties related to the practical implementation of reforms, the modelling of a new socio-political system, the fight against corruption and the emergence of a new generation of government leaders who are capable of initiating progressive reforms in coordination with public opinion.

Issues of an economic nature that determine the current political trends in the country also remain relevant. Ukraine is actively working to expand trade relations with EU countries, and has made this one of the top priorities of European integration.<sup>1</sup> At the same time, consistently negative dynamics remain in bilateral economic relations with Russia against the backdrop of a confrontation with Moscow. Ukraine is still feeling the effects of a severe crisis, the faltering economies

<sup>1</sup> Ukraine–EU Trade and Economic Cooperation // Mission of Ukraine to the European Union. URL: <http://ukraine-eu.mfa.gov.ua/ua/ukraine-eu/trade-and-economic/ukraine-eu-trade>

of certain post-Soviet countries and the unprecedented inflation that goes with it, a decline in GDP and the subsequent deterioration of living standards.<sup>2</sup> The country continues to actively borrow from abroad and has received another tranche from the International Monetary Fund (IMF) within the framework of its existing borrowing programme.<sup>3</sup> At the same time, despite cooperation with the IMF and the introduction of a free trade area with the European Union, the Ukrainian economy is still not on the path towards stable development. The reason for this is a lack of effectiveness of existing instruments and investment climate controls, as well as the ongoing fighting in eastern Ukraine. These factors have a negative impact on the inflow of foreign capital and its free circulation in the country's economy.

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**While expanding the scale of trade with the European Union is a main priority, Ukraine remains within the Russian sphere of influence.**

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The problems in Donbass inflict significant damage not only on the development of partnership relations with western countries, but also pose a great political threat. And they have major social implications.

These trends are of crucial importance in the formation of the country's current political agenda as they determine the vector for the further development of the situation in the short term. Consideration must also be given to the threat posed by the erosion of solidarity among western partners with regard to supporting Ukraine in matters of domestic reforms and the confrontation with Russia.

The fourth quarter of 2016 and first quarter of 2017 promise to test the ability of the Ukrainian socio-political system to handle stress. Attempts to achieve energy independence from Russia and the gradual fulfilment of the main IMF requirements with regard to reforming the Ukrainian energy market are notable for their contrasting effects. A positive effect has been achieved in terms of budget viability and economic pragmatism. For the first time ever, Naftogaz of Ukraine did not require any budget subsidies, which had previously been used to cover a deficit that was attributable to the low consumer prices. This was achieved by increasing tariffs. The country's treasury retained 130 billion hryvnia (roughly \$5 billion) and was limited to allocating 40 billion hryvnia (roughly \$1.5 billion) in subsidies to low-income citizens.<sup>4</sup> On the other hand, the strict measures being taken to raise tariffs have caused many Ukrainians to fear the upcoming winter, and they also increase the threat of public debt for the payment of utility services increasing. This situation will be actively exploited by opposition political forces, which are willing

<sup>2</sup> Ukraine Economic Update // World Bank. September 2016. URL: <http://www.worldbank.org/en/country/ukraine/publication/ukraine-economic-update-fall-2016>

<sup>3</sup> IMF Allocates Ukraine loan – Poroshenko // STRANA.UA. September 15, 2016. URL: <http://strana.ua/news/31686-mvf-vydelit-kredit-ukraine-poroshenko.html>

<sup>4</sup> Government Announces Savings of 130 Billion Thanks to Subsidies // Ukrinform. November 1, 2016. URL: <http://www.ukrinform.ru/rubric-economix/2112244-v-pravitelstve-zaavili-ob-ekonomii-130-milliardov-blagodara-subsidiyam.html>

to use any opportunity and miscalculations by the country's policymakers for their own PR and to gain electoral support. Based on this situation, we can anticipate social unrest in the country, which will be supported by the opposition parties and could become a factor in the erosion of the social balance in the country.

At the same time, there is no reason to talk about the possibility of mass demonstrations comparable in scale to the events that took place in late 2013 and early 2014. The conflict in Donbass and the related Minsk proceedings are the real pitfalls on which the vector of future changes will depend over the next five years. The Ukrainian government has worked itself into a difficult situation in which they will be on the losing end regardless of the success of implementing the Minsk Agreements. The political aspect of the agreement involves the adoption of a bill on constitutional amendments with regard to decentralization and granting special status to certain areas of the Donetsk and Luhansk regions. In addition, the sequence for implementing the Minsk Agreements involves holding local elections before the Ukrainian government establishes control over its borders. Of course, such an approach runs counter to Ukraine's national interests and causes a negative perception in society. If parts of the self-proclaimed republics receive administrative and political preferences, and the militants fighting for them are able to run for the Verkhovna Rada and hold local leadership positions, this creates the threat of mass protests taking place around the country and socio-political chaos could unfold.

It would seem that the Ukrainian leadership is well aware of the danger presented by this scenario, which could either be an instantaneous catalyst for social explosion or a ticking time bomb that exacerbates social conflicts and is fully capable of playing a destructive role in one to two years. In the case of the latter, if the Ukrainian government manages to neutralize the momentum of public outrage, the problematic areas will be integrated into the Ukrainian political and economic system under Russian conditions. Given the devastated infrastructure and broken social institutions in the regions, they would not only become an unmanageable burden for the Ukrainian budget, but also a destructive element of permanent influence on political processes within Ukraine.

In this regard, members of parliament currently lack the necessary consensus to adopt a controversial bill in its second reading. In trying to avoid another revolution, deputies are exposing themselves to additional pressure from Western partners and jeopardizing the future of the parliament of this convocation. France and Germany are insisting to an even greater extent than the United States on the implementation of the political aspect of the agreement, thereby limiting the field for manoeuvres by the legislative authorities.

### International dimension of the political process in Ukraine

Due to the overwhelming involvement of the international community in the Ukrainian political process, the upcoming parliamentary elections in Germany, France and the Netherlands, as well as the election of Donald Trump as President of the United States and the European Union's ability to resolve problems related

to migration, the escalation of conflicts between countries within the association and the further extension of sanctions against the Russian Federation acquire immense importance.

Prior to the start of 2017, the bureaucratic procedure of transferring presidential power in the United States and the relationship between the political component of the Minsk process and the need to ensure security in the region will play into the hands of the Ukrainian leadership. Although Russia will try to use all available resources to persuade France and Germany to adopt decisions that put diplomatic pressure on Ukraine, it is unlikely that any fundamental decisions will be made on the Ukrainian issue before Trump is inaugurated and the new US administration forms its own position on the situation in Eastern Europe. Moreover, the lack of a full armistice during this period will serve as a key argument in discussions regarding the implementation of the political aspect of the Minsk Agreements. Until the Kremlin ensures a truce by the militants of the self-proclaimed republics, Ukraine will delay the adoption of any major amnesty laws and local elections, citing the lack of the necessary security measures in problematic areas.

Given the status of the United States in international relations, the American factor continues to play a fundamental role in determining the vectors for how the situation in Ukraine will develop. Even though the United States stayed out of the Normandy format of negotiations, Washington retains sufficient influence over the Ukrainian political process and maintains a channel of direct diplomatic communication with Moscow regarding the settlement of the conflict in Donbass. The results of the US presidential campaign stunned the Ukrainian political establishment. Kiev was not only openly counting on Hillary Clinton, but also criticized Trump's plans for his team to include Paul Manafort, who had connections to the "black accounting" schemes of Viktor Yanukovich. In addition, in his campaign speeches, the US President-elect spoke ambiguously about the situation regarding Crimea and the possibility of resuming full-fledged relations with Russia.

Since it is hard to overestimate the importance of the new US administration's position on the Ukrainian issue, Donald Trump's unpredictability creates additional complexity with respect to modelling scenarios for settling the conflict in Eastern Ukraine and balancing the architecture of international relations. At present, the 45th President of the United States has created the image of a man who is ready to pursue a "softening compromise" and "reset" relations between Moscow and Washington. Moreover, one gets the impression that the Eastern European aspect of US foreign policy is not a particular priority for Trump and, in a manner characteristic of a businessman, he will value economic pragmatism over political expediency. If Trump adheres to the format of "entrepreneurial thinking" in his political decisions, the question of what Kiev and Moscow are able to offer the US administration will become a relevant one for the development of bilateral relations at the United States – Russia and United States – Ukraine levels. At present, having foregone the rule of "unbiased diplomacy" during the US presidential campaign, the Ukrainian leadership has limited the range of tools it can use.

But is Donald Trump really a man who is capable of reaching an agreement with Vladimir Putin on the settlement of the Ukrainian crisis and fundamentally altering the international political situation? First, despite everything that has been said, we should consider the presence in US political circles – even within the Republican Party – of anti-Russian elites who could regularly influence the President’s position. Second, the principle to “Make America Great Again” will not likely pave the way for a weakening US international authority in favour of a full-fledged reorientation towards domestic politics. Thus, the Ukrainian leadership must hope for a policy of true “realpolitik” by the US administration and its willingness to firmly defend the interests of its own country in the international arena, which could make it difficult to reach a compromise between Moscow and Washington, contrary to all expectations.

Trump’s unpredictability in no way diminishes the important role of the American factor in the Ukrainian political process, but it does not provide any definitive answers concerning the nature of its influence in the short term. Thus, the effects of the US presidential election may have ambivalent significance for Ukraine – from the loss of support of a key partner to the escalation of the confrontation between Russia and the United States, which is not anticipated under the current circumstances.

### Ukraine in five years: scenarios

Thus, depending on how foreign policy circumstances correlate with the domestic political situation in Ukraine, we can present a few different scenarios for how events will unfold over the next five years.

**1. “Reset of the authorities.”** If the European Union increases pressure on Ukraine with regard to the need to adopt a law on holding local elections, the current version of the Verkhovna Rada will start to lose its external legitimacy and make its Western partners unhappy. In spring 2017, the need to implement the political component of the Minsk Agreement will be of even greater significance. At the same time, winter and the forced lifting of tariffs will have a substantial impact on the ratings of the parliamentary coalition, while opposition political forces will work to fundamentally erode the existing balance in the country by bringing up issues related to corruption and the deterioration of living standards. These circumstances will have a cumulative effect that adversely affects the position of the ruling party. Another important aspect in this context will be cooperation between Ukraine and Europe, specifically the creation of a visa-free regime. The drawn-out bureaucratic procedures inherent in European policy have already delayed the decision-making process in Ukraine. Given that a visa-free regime could be comparable with the signing of the Association Agreement in terms of its importance and will reflect positively on the ratings of the country’s leadership, the stakes remain very high. If the Ukrainian authorities prove unable to position this factor as a foreign policy victory, we can expect another wave of public outrage. In the absence of the necessary consensus between the deputies and the president concerning the implementation of the political package adopted as part of the

Minsk process and also in connection with the loss of a sufficient level of public support, the issue of early parliamentary elections in the country could become a sticking point in the first and second quarters of 2017.

Since the domestic political situation is conducive to the popularization of opposition political parties, a new coalition could be formed in the event of new elections in Ukraine that has a broadminded vision of the prospects for restoring political and economic relations with the Russian Federation. This newly formed alliance could reach a compromise with the economic elites, who are interested in resuming economic cooperation with Russia and have come under pressure from the ruling political forces. The new parliament would work to reset bilateral relations. Since the Minsk Agreements have reached an impasse, the new coalition could revive them in a practical manner and garner a sufficient number of votes to complete the constitutional reform on decentralization, adopt amnesty laws and organize local elections in the self-proclaimed republics.

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**If Ukraine is unable to play the card of a visa-free regime with the European Union, this could cause discontent among its citizens. Along with a desire for balanced European integration, the country's leadership would try to return to the relations that Ukraine had with Russia prior to the crisis.**

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Under these conditions, conflicts between the executive and legislative authorities would intensify. The president and the Verkhovna Rada would have different views on how to form a new government, as well as a different foreign and domestic political orientation. By 2018, the all-out escalation of the conflict could lead to early presidential elections and a full restart of political authority. In this case, the country's leadership would have to walk a fine line between realizing its own interests, which would consist of restoring a full-fledged dialogue with Moscow, and the negative perception of Russia by the majority of Ukrainians following the start of the military conflict in Donbass (43 per cent of the population dislikes Russia, while 80 per cent dislikes the Russian leadership).<sup>5</sup> In this regard, the governing elite would carefully transform the vector of the country's foreign policy with its obvious pro-Western leanings to a model of balanced European integration that would involve a combination of the geopolitical concept of strategic rapprochement with the European Union and an attempt to restore pre-crisis relations with the Russian Federation.

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**The members of the Normandy format will not change; however, an adjustment to their negotiating positions may follow the possible changes within the four countries involved.**

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<sup>5</sup> Ukrainians Split in Their Attitudes Towards Russia // Ukrainskaya Pravda. June 22, 2016. URL: <http://www.pravda.com.ua/news/2016/06/22/7112595/>

As part of the process of implementing the roadmap for settling the conflict in Donbass and normalizing the bilateral dialogue between Kiev and Moscow, Russia will continue to persuade Ukraine to integrate the problematic regions into its own system of political and economic coordinates. The foreign policy situation will play an extremely important role in this case. If the fragile positions of Angela Merkel lead to a change in leadership in Germany, and a politician more loyal to the Moscow becomes president of France, Ukraine may face a new challenge in 2017 – “preserving the consolidated position of European partners concerning the issue of Ukraine.” Under this scenario, time would no longer be in Ukraine’s favour, which it has been in the past. But it would play into the hands of the Russian Federation, whose leadership, taking these circumstances into account, would be in no rush to help ensure a full truce by the militants in the Donetsk and Luhansk People’s Republics and would aim to delay the Minsk process until “better times.” Possible political changes in Germany and France may adjust the negotiating positions of the participants, while preserving the existing participants in the Normandy format.

If the assumed scenario unfolds within the allotted time, we can anticipate a compromise solution under the influence of these circumstances on matters concerning the implementation of the political aspect of the Minsk Agreement. It would become a reality after the necessary security measures in the region are implemented. The formal “cure” could be an Organization for Security and Co-operation in Europe (OSCE) police mission that satisfies all the negotiating parties at that particular stage, and it would not be blocked by the Kremlin, given that the Presidency of the Council of the European Union would be in the hands of Austria, which is loyal to the Russian Federation. Once the long-standing friction surrounding the development of a roadmap for the peace process is complete, its implementation would be coordinated through the Trilateral Contact Group on Ukraine. Thus, the main mission of the new Ukrainian parliament could be to adopt a law on elections in the self-proclaimed republics and draft a new roadmap for its implementation.

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**Given Ukraine’s limited desire for Euro-integration, cooperation between Kiev and NATO will consist solely of a few joint projects and periodic exercises.**

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Given the complexity of the situation, the Ukrainian leadership would have to find a balance of the political process and public opinion, and prevent the radicalization of mass protests, which would be chaotic at this stage. Softening the negative attitude among Ukrainian citizens towards Russia’s aggressive foreign policy and healing the wounds caused by the death of a large number of Ukrainians would be a long and complicated process that would be difficult to conceal behind the screen of political games or limit to a certain timeframe. And it is here where we find the weak link in this scenario, something that politicians would struggle to resolve over the next five years. The issue of Crimea, whose reintegration into Russia only remains legitimate within the foreign policy vision of the Russian leadership,

would continue to have a destructive influence. During the long process of settling the conflict in the eastern part of the country, Russia has deliberately tried to push the problem of Crimea to the background. This trend will continue in the coming years, as Moscow will insist on the formal recognition of the legitimacy of its actions, while Ukraine and the West will continue to perceive it as an annexation.

The negative side of these events, should they unfold in this manner, is that Ukraine's Euro-Atlantic aspirations would be limited in the short-term. At present, the conflict in the east and the lack of a consolidated political will among the alliance's member nations serves as a deterrent. However, if the scenario described here is implemented on a practical level, an additional obstacle towards deepening Ukraine–NATO strategic relations would arise in the Verkhovna Rada. Under such conditions, we should not anticipate substantial progress on this issue in the next five years, and cooperation between Ukraine and NATO will remain at the level of implementing individual programmes and joint exercises.

The free trade area between Ukraine and the European Union would remain in effect as they move towards international cooperation, which would further alienate the country from the Eurasian Union, even if changes in foreign policy are made. Nevertheless, the Ukraine–European Union Association Agreement would come under pressure due to the political situation in the Netherlands in connection with the results of the latest referendum and the attempt by populist political forces to gain electoral support in the run-up to the spring parliamentary elections. At the same time, it can be assumed that European institutions would develop an effective mechanism to preserve the free trade area even if the Netherlands were to denounce the agreement.

Thus, this scenario is based on the settlement of conflict trends in Europe through the partial infringement of Ukraine's national interests. In this case, the Ukrainian authorities would have to remain on the path of "forced pragmatism" and seek possible benefits in the existing political realities. Theoretically, as a result of the preservation of the free trade area with the European Union and work to restore economic relations with the Russian Federation, Ukraine could become a centre for the revival of the Greater Europe projects that have been largely forgotten in light of recent events; however, finding a balance between economic viability and socio-political contradictions would make it difficult to realize this forecast in a practical manner.

**2. "Freezing of the permanent conflict zone."** The implementation of this scenario depends on how effectively relations between Russia and the United States develop. If Moscow is unable to reach a compromise with Washington and come up with a new format for bilateral cooperation to resolve the Ukrainian issue, the settlement of the conflict will be drawn out and the leaders of both countries will gradually use up their existing goodwill. Trump's advisors could convince him to back-pedal on his campaign declarations and take on a tougher position in the dialogue with Russia. Such a situation would enable the Ukrainian leadership to step up its role in the negotiation process.

In this case, the Minsk Agreements would remain a nominative agreement that had already fulfilled its minimal function – to contain military escalation and provide the parties with an opportunity to determine the vector for further actions. At the same time, the plan for dealing with the crisis that is approved by all the parties would have no future and would be supported solely for the sustained preservation of the existing conflict in a diplomatic impasse. While the first scenario implies Ukraine’s adherence to the political will of the European Union in attempting to implement the Minsk Agreements, the second situation is based on the willingness of the Ukrainian leadership to take tough political decisions while acquiring the status of a full-fledged subject of the political process. Time is not as critical in the second scenario, although certain preconditions would exist for a slight deterioration in relations with the European Union. How would this scenario be implemented?

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**The existing plan for settling the Ukrainian issue is only capable of keeping the conflict at a diplomatic impasse. A new approach could not only worsen relations with Russia, but also undermine the prospects for visa-free travel and the free trade area.**

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If relations between Russia and the United States were to worsen as assumed under the scenario described, the US administration could easily switch from a “softening compromise” to issuing tough requirements and ultimatums, which would give Ukraine some room for manoeuvre. Ukraine could initiate a referendum on whether or not to grant Donbass a special status, or it could have parliament pass the frequently discussed law on the occupied territories. In doing so, the Verkhovna Rada would be released from the political burden of having to adopt an unpopular decision while also legally recognizing the presence of Russian forces on the territory of the self-proclaimed republics. Such a move would run counter to the European concept for settling the conflict and could lead to some difficulties in relations with the European Union, which is firmly convinced of the correctness of its intentions to resolve the Ukrainian issue utilizing the tools of the Minsk II Agreement.

This new approach to resolving the crisis would not only threaten to exacerbate the confrontation with the Russian Federation, but it would also jeopardize the two main national priorities in its international policy – the visa-free regime and the free trade area. Ukraine’s partners in the United States would firmly seize the initiative from the European Union in the dialogue with the Kremlin, and the ultimate failure of the Minsk Agreements would negate the economic sanctions associated with them, which would provide European countries with an excuse to revise the existing restrictions or consolidation them in connection with the conflict in Syria. Ukraine would get additional leverage to influence the foreign policy situation, and parliament would extend its term in office. At the same time, we should not forget the threat of the conflict escalating in the east. Only the drafting of an updated roadmap for an armistice could stop the conflict from entering a new

active phase. In this case, the United States and the Russian Federation would be responsible for the new peace process model, while the European Union would take a backseat after losing its prevailing positions.

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**Even in the unlikely event that the European Union disintegrates, it could be replaced by a new integration initiative based on the Baltic–Black Sea Union. The Donetsk and Luhansk People’s Republics could become ordinary quasi-state formations that disrupt stability in the post-Soviet region.**

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It can be assumed that under the new political circumstances the sides would reach a difficult compromise that is based on satisfying tactical objectives: the United States would contain the newly erupted military confrontation and earn political dividends, thus strengthening its status as a key player in the region; the Russian Federation would have the chance to get out from under the pressure of sanctions and temporarily postpone the problematic issue of the accession the Crimea; and Ukraine would prevent the integration of the problematic regions into its own political system on Russia’s terms and preserve its current leadership, giving it one more year to carry out the reforms required by the West and limiting the destructive potential of using these regions to influence the domestic policy situation.

In this case, it would still be important for Kiev to preserve the balance in its relations with the European Union, which could be partially realized by developing a comprehensive plan for settling the conflict and maximizing the effective mobilization of diplomatic communication channels in order to convince its European partners of its viability and the fact that there are no alternatives. If this fails, Ukraine would have to come up with a Plan B for its Euro-integration strategy. The ultimate goal of this strategy would presumably be full membership in the European Union.

One option would be to expand and deepen relations with Central European countries within the context of the geopolitical concept of the Baltic-Black Sea Union. The viability of this project is its universality. In the unlikely event that the European Union disintegrates under the pressure of existing problems, the project could become a new model for establishing a European political space that is based on a strong national state and a high-priority regional partnership. If the European Union continues to function successfully, it will remain attractive as a promising platform for the development of economic and security cooperation. Ukraine could become an interesting component of the new mosaic of a Central and Eastern European political system, although the dynamics of Ukraine–Poland relations in the years to come are a potential pitfall of this process. At present, these relations are very discordant. Success achieved on the basis of strategic military cooperation would be accompanied by a worsening of historical conflicts based on the contrast between the national ideas of the leadership of both countries. It would seem that, right now, Ukraine does not have a coherent plan for strategic rapprochement with

Poland, which significantly limits the field for foreign policy manoeuvres. And this needs to be remedied in the short term.

What would become of the Donetsk and Luhansk People's Republics? If the described scenario is implemented on a practical level, the artificially inspired political projects would be transformed to match the existing quasi-state models of Transnistria, Abkhazia and South Ossetia. Although at this stage it would be difficult to determine their administrative and organizational form, in this scenario we could expect another controversial political entity to emerge on the post-Soviet map and violate the security architecture in the region. Freezing the conflict would shift it into a latent phase without providing any of the parties with guarantees concerning the final conciliation of the bloody confrontation and leaving the door open for further escalation.

**3. "Normandy format compromise."** We should not rule out the possibility of the conflict being settled within the Minsk process while at the same time maintaining the status quo. For now, this scenario seems unlikely due to lack of common political will in the Ukrainian parliament. In any case, the president needs to pursue the laws on elections, amnesty and decentralization, with Donbass being granted a special status (the latter is in its second reading) via the Verkhovna Rada. So far, Ukrainian deputies have not expressed a willingness to work on drafting the problematic bills and have not mustered the required number of votes for their approval. In this case, the quantity of meetings within the Normandy format cannot be translated into quality. The main component of this scenario comes down to the following dilemma: can pressure from European partners and the constructive actions of the president change parliament's views?

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**If Poroshenko is able to consolidate political and financial groups on the basis of a compromise, he will manage to hold onto his position.**

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To achieve this goal, the president not only needs to consolidate his political power within the Petro Poroshenko Bloc, but also needs to enlist the support of the other parties that gained seats in the Verkhovna Rada. Do the executive authorities have such a resource? Who will these *ad hoc* allies be? The answer to these questions will be sought on the margins of Ukrainian politics. The position of the United States and its vision of how to resolve the situation will be just as important as in the previous scenarios. In the event that a genuine rapprochement occurs between Donald Trump and Vladimir Putin and an effective platform for bilateral relations is established, Ukraine will lose an irreplaceable ally and its negotiating positions will be significantly weakened. The Ukrainian government will be forced to keep a lower profile and ensure the practical implementation of all the requirements of the Minsk process and minimize the potential destabilizing effects.

If the Poroshenko administration manages to pull off the virtually impossible – that is, find compromise positions for the competing political forces and influential

financial groups while ensuring the realization of the political component of the Minsk process – it will be able to extend the goodwill of Ukraine’s Western partners and maintain its positions. At the same time, the authorities will encounter public outrage, which will have to be suppressed in order to pre-empt the threat of it transforming into mass demonstrations. We should keep in mind the fact that in such a situation Kiev would nevertheless have to integrate the problematic regions into its own political shell, which would have a destructive effect on the stability of the country’s political situation going forward. Ukraine would become a neutral state without any apparent preconditions for accession to NATO or the European Union in the short or medium term.

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**In the coming years, Ukraine will continue to seek both a path for its own self-determination and resolutions to relevant problems. At the same time, it will always have to take the Russian factor into account.**

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In addition, given the wide range of circumstances that affect relations between the European Union and the United States, Ukraine must not limit itself to a geopolitical choice and needs to expand its field of actions in the international arena through strategic rapprochement with other influential members of the global political process. In the second scenario, the Baltic–Black Sea Union would be the likely alternative to the existing foreign policy concept. In this projection, however, due attention should be given to the prospects of developing cooperation with China. China is always interested in economic and political projects that contribute to a country’s international self-determination, and the potential normalization of the Russian – US dialogue would only encourage Beijing to be more active on the issue of implementing its “Silk Road” concept. Ukraine should formulate a clear vision of possible areas of economic cooperation and come up with interesting proposals for Chinese investors that contribute not only to the realization of individual ideas, but also to the implementation of large-scale projects such as the free trade area.

### Geopolitical realities and the new concept of Ukrainian policy

The scenarios presented here take into account the segmented set of Ukrainian socio-political values, the pressure of economic determinants and the influence of foreign policy, which allows a coordinate system that specifies the dynamics and vectors of how the situation will develop in the short term to be modelled. They identify current political trends, reinforce the fundamental basis of the future Ukrainian political process and are capable of generating alternative forecasts for the next five years or more. Given the unpredictability, subjectivity and chaotic nature of modern Ukrainian socio-political realities, it is possible that other scenarios derived from the two that have been presented could arise. For example, in the event that the geopolitical confrontation escalates further, the level of public outrage increases, the existing social balance is purposefully eroded through the

hostilities in eastern Ukraine, or individual ethnic groups step up their activity in the west of the country, there is a clear threat of the country being “Balkanized,” or of yet another round of revolutionary changes taking place. The Ukrainian leadership needs to overcome these challenges in order to ensure the country’s territorial integrity and prevent any dangerous trends from occurring.

At the same time, over the next five years Ukraine will continue to struggle for national self-determination and seek mechanisms to overcome problems within the scope of its domestic and foreign policy. The Ukrainian authorities still need to carry out long-awaited reforms that are capable of modernizing the makeup of the socio-political and economic system, settle the military conflict in Donbass, promote the concept of European integration and develop a new strategy for establishing bilateral relations with the Russian Federation. Despite Ukraine’s clear reorientation towards the western vector of political and economic development, the country will always have to take the Russian factor into account. Regardless of how successful its further policy with respect to Europe or a rapprochement with the United States may be, Ukraine’s proximity to Russia means that it has to manoeuvre between geopolitical centres and defend its national interests while taking into account all circumstances of both a constructive and destructive nature.

The European Union sees greater prospects in Ukraine – Russia cooperation than in their confrontation and thus will hold out hope for the Minsk process until the very end, relying on it as a tool for restoring regional security.

For now, Ukraine continues to play the role of a kind of buffer zone between the eastern borders of the European Union and Russia. And realizing its enormous economic potential depends on the success of reforms to its domestic policies. The country needs to: achieve the necessary balance in terms of interaction between state institutions; ensure the successful functioning of previously adopted constitutional amendments regarding decentralization and justice, while preventing the federalization and centralization of political power; and find a way out of the impasse that has formed as part of the Minsk agreements.

Over the next five years, the approval of a strategy on the Crimean issue and the development of a programme for the reintegration of the problematic Donbass regions will become even more important. Ukraine’s territorial integrity and sovereignty in determining its foreign policy priorities have become hostages to the complex geopolitical process. The only way out of this situation is through clearly coordinated actions to consolidate the political establishment with civil society and develop an effective channel of communication with all those involved in this complex geopolitical game.

## The Baltics. Thirty Years after the Collapse of the USSR: The Point of no Return

*Sergei Rekeda*

*Thirty years after the collapse of the USSR, the situation in the Baltic republics will still be defined by the same problems that these countries faced back at the dawn of the post-Soviet period. In terms of politics, this means fragile political stability undermined by the “ethnic vote” in Latvia and Estonia. For the economy, it means a gradual slowdown in growth caused by the dominance of political and even ideological factors when making political decisions. For the social and humanitarian sphere, it means a smouldering ethnic confrontation that has been smoothed over by depopulation processes.*

### Politics: right-wing conservative stagnation

By 2021, one of the main issues in terms of the political process in the Baltic republics will be the problem of Russia and Russians, just like it was 30 years ago. For Lithuania, this will mean the constant demonization of its eastern neighbor in the media, which intensifies every time the country draws closer to the next round of elections, parliamentary or presidential. At the domestic level, this means linking problems at home with Russian influence and the same old “Soviet occupation.” At the international level, it means lobbying for initiatives that aim to deter Russia’s influence. However, the anti-Russian rhetoric and policy in Lithuania, which comes in waves, may have moved into a declining phase by 2021. This is due to the fact that after 2019 the head of state, while far from sympathetic to Russia, will be more restrained in his or her rhetoric than Dalia Grybauskaitė. In recent years, both the general population in Lithuania and the country’s elites have demonstrated a clear interest in a more level-headed politician (Grybauskaitė has currently lost her status as Lithuania’s most popular position), and this is likely to be expressed during the presidential campaign.<sup>1</sup> In addition, the Homeland Union – Lithuanian Christian Democrats (Lithuania’s right-wing conservatives), which enjoyed relative success in the 2016 parliamentary elections, traditionally makes its political capital on “containing Russia” and fighting to curtail social programmes in favour of security issues, and is ultimately one of the most anti-Russian political forces in the country, will most likely see its presence decline in the next Seimas.

Latvia and Estonia still have the “ethnic vote.” This means that the political field of these countries will be de facto split into two groups of political forces – “Russian parties” and all the rest (“Latvian parties” or “Estonian parties”). Consequently, the election campaigns will continue to exploit the Russian threat. In Riga, there will be calls to take down the Victory Memorial to the Soviet Army in Pardaugava. In Tallinn, people will recall the removal of the Bronze Soldier statue. Ultimately, the Latvian people will vote for “their” party and the Estonian people

<sup>1</sup> The Most Popular Politician in Lithuania is Skvernelis // ru DELFI. January 30, 2016. URL: <http://ru.delfi.lt/news/live/samyj-populyarnyj-politik-litvy-skvernyalis.d?id=70266746>

will vote for “their” party, while the Russian minority in both countries will mainly vote for the Social Democratic Party “Concord,” the Latvian Russian Union and the Estonian Centre Party. The ethnic “encapsulation” of the political elite of the Baltic republics remains in force.

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**For the Baltic countries, the issue of Russia and Russians will remain one of the determining factors in the coming years. The political environment in Latvia and Estonia will consist of Russian parties and everyone else.**

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Nevertheless, a slight dilution of the “ethnic voting” boundaries could occur in these countries over the next five years. In Estonia, the inclusion of “centrists” in the government has become a reality due to the gradual weakening of Edgar Savisaar’s role in the republic’s political life. In addition, as the proportion of the post-Soviet generation increases among the total number of the republic’s politically active population, more and more Russians will be voting for the Social Democratic Party of Estonia and young centre-right political projects. Ultimately, the ethnic boundaries of the political process will be gradually diluted, although by 2021 they will still be quite noticeable.

In Latvia, the same process of diluting ethno-political boundaries is directly attributable to the Social Democratic Party “Concord” and its leader Nils Ušakovs, which are primarily supported by the republic’s Russian-speaking population. The inclusion of this political force in the ruling coalition was made possible by the ideological drifting of “Concord” to the right. However, this process is fraught with the gradual loss of its Russian-speaking electorate, which prevents this party from joining the government in the role of a “senior partner.” This is why, in general, no matter how much the ethnic boundaries are diluted in the political process in Latvia and Estonia, the country’s leadership will continue to consist primarily of right-wing conservative politicians with neo-liberal ideals who wish to strengthen the state’s regulatory functions in the country’s socio-political life and who view their role in international affairs as a buffer between Russia and the European Union.

### Economy: from stability to stagnation

By 2021, there will be two serious flaws in the economies of the Baltic republics. The first is connected with the “sanctions war” currently under way between Russia and the West. As of the end of 2016, Lithuania, Latvia and Estonia are already among the countries most affected by anti-Russian sanctions.<sup>2</sup>

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<sup>2</sup> Erica Moret, Thomas Biersteker, Francesco Giumelli, Clara Portela, Marusa Veber, Dawid Bastiat-Jarosz, Cristian Bobocea. The New Deterrent? International Sanctions Against Russia over the Ukraine Crisis // The Graduate Institute Geneva. October 12, 2016. URL: <http://graduateinstitute.ch/files/live/sites/iheid/files/sites/internationalgovernance/shared/The%20New%20Deterrent%20International%20Sanctions%20Against%20Russia%20Over%20the%20Ukraine%20Crisis%20-%20Impact,%20Costs%20and%20Further%20Action.pdf>

To illustrate, EU exports of goods and services to Russia have decreased by an average of 2.8 per cent over the two years that the sanctions have been in place, compared to 12.7 per cent for Estonia, 10.7 per cent for Latvia and 9.1 per cent for Lithuania. These figures are significant even without this comparison, considering that on the eve of the sanctions war Russia was the third largest trading partner for Estonia and Latvia and the main partner for Lithuania. The estimate given above is extremely optimistic. For example, according to Dana Reizniece-Ozola, Minister of Finance of the Republic of Latvia, the country's exports to Russia have plunged by one quarter since the sanctions war began. Similarly, the Ministry of Agriculture of the Republic of Latvia projects that extending the sanctions would cost the country 250 million euros, i.e. the losses from the economic standoff would more than double. Officials have no reason to doubt this data given the fact that, since the start of the crisis in Russia–EU relations, the political establishment of the Baltic republics has demonstrated optimism and given assurances that the threat would bypass these countries and the sanctions would not seriously affect them. It turns out that they have affected them and continue to do so. But the main problem is not even the current situation, but what awaits the countries in the coming years.

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**By 2021, the most important challenges for the economies of the Baltic republics will be the effects of the “sanctions war” and the degradation of the transit industry.**

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Goods from other countries are gradually taking the place of products made by the Baltic republics. Even if the sanctions war ends in the next five years, products made by Lithuania, Latvia and Estonia will not likely be able to return to their niches on the Russian market. Meanwhile, the alternatives in China, the United States and the European Union promised by Lithuanian, Latvian and Estonian politicians have not panned out according to declarations made in the Baltic republics in 2016. Even if the republics manage to secure compensation for these losses from the European Union, it will not be able to resolve the problem. This is because it would amount to approximately 15–20 million for each Baltic nation. Ultimately, by 2021 farmers in Lithuania, Latvia and Estonia will not only lose the Russian market, but they will also lose any prospects for returning to the market in the future.

The second flaw in the economy of the Baltic republics will be connected with the degradation of the transit industry. Since the 2000s, Russia has been pursuing a policy to gradually redirect its transit in the Baltics from the ports of Lithuania, Latvia and Estonia to its own facilities – primarily the sea commercial ports of Ust-Luga, Primorsk and Novorossiysk. Such large-scale infrastructure programmes are impossible to implement in the short term, but Russia has reached the finish line in this process. For example, Russia's Transneft shipped 9 million tonnes of petroleum products via the Baltic countries in 2015, and approximately 5 million

tonnes in 2016. It plans to reduce the figure to zero in 2018. Other major Russian transit companies in the region will take a similar approach by the end of the 2010s. Incidentally, in the 1990s, more than 30 million tonnes of petroleum products were shipped through Latvia alone. The Ministry of Economics of the Republic of Latvia estimates that in the event of the complete cessation of the transit of Russian oil and petroleum products through the country, the Latvian budget will lose up to 250 million euros per year, with some 20,000–30,000 workers at risk.<sup>3</sup>

In this situation, the importance of Belarus will intensify. At present, Minsk supplies 13 million tonnes for transit, or 35 per cent of the workload at the Lithuanian port of Klaipeda, which has enabled the local transit industry to stay afloat during the crisis.<sup>4</sup> However, it is quite likely that in the near future part of freight from Belarus will be redirected to the relatively empty Latvian ports. Two factors will play a role in this: 1) lower demand making it more advantageous for Belarus; and 2) political tensions between Minsk and Vilnius due to the latter's pressure on the project involving the construction of the Ostrovets Nuclear Power Plant. This situation could be resolved by stopping attempts to shut down the Belarusian project, when the power plant is almost finished. Additionally, the term of President Dalia Grybauskaite in Lithuania will end in 2019. In this case, Klaipeda would manage to preserve at least a portion of the transit for its port. Belarusian goods would undoubtedly soften the blow from the departure of Russian goods from the Baltic ports, but would not resolve the overall problem.

By 2021, these economic difficulties will be aggravated by a number of other problems that at present are only gaining momentum. In particular, Lithuania and Latvia are currently among the leaders in terms of increasing foreign debt. And this is despite the fact that the foreign debt of Latvia and Lithuania already stands at roughly 40 per cent and 60 per cent of GDP, respectively. Debt is being taken on to service earlier debts, and the spiral continues to spin out of control despite the fact that by 2021 even the Brussels-based sources for replenishing the budgets of Baltic republics could be seriously depleted. In 2020, the European Union will approve another six-year financial programme under which spending to support the lagging economies of EU member states will be cut due to financial problems within the European Union itself and the withdrawal from the union of one of its donors – the United Kingdom.

In addition, the gradual phasing out of Russian energy resources (although, of course, it will be impossible to fully phase out cooperation with Gazprom by 2021) and the shift to a more expensive alternative from “friendly countries” (in the case of gas this includes Norway and in the future the United States; in the case of electricity, it is Poland and Sweden) will reduce the competitiveness of goods

<sup>3</sup> Latvia Estimates Damages from the Loss of Russian Transit // Sputnik. October 12, 2016. URL: <http://ru.sputniknews.lv/economy/20161012/2957644/latvija-rossijskij-tranzit-250-millionov-evro.html>

<sup>4</sup> Lithuania Will Not Let Latvia Intercept Belarusian Freight and Regain Leadership // Baltnews.lt. September 2, 2016. URL: [http://baltnews.lt/vilnius\\_news/20160902/1016120585.html](http://baltnews.lt/vilnius_news/20160902/1016120585.html)

made by Baltic countries, which means the export potential of the republics will be diminished and the domestic market will contract due to the growing depopulation.

Considering all these factors, the GDP growth of the Baltic republics will slow in the long term, the economy will start to cool off, and Lithuania, Latvia and Estonia will enter 2021, if not already in a state of crisis, then in a one of economic stagnation at the very least.

### Point of no return

Only the emergence of strategic infrastructure or major innovation projects in the region before 2021 can put a stop to the negative development trends in the Baltic republics described above. The former option could involve the China's New Silk Road project. Such prospects are actually being discussed right now within the framework of summits in the 16+1 format, which has brought together Central and Eastern European countries and China since 2012. In addition, Belarus is implementing a major industrial project with China called Veliky Kamen ("Great Stone"), which will substantially increase the volume of Belarusian exports. However, hopes for China's salutary influence on the transit industry of the Baltic republics are nice only in theory. Real and effective cooperation with Beijing in the transit industry is impossible without going through Russian territory. Consequently, in order to realize this scenario, the Baltic countries need to seriously review their priorities with regard to building a dialogue with Moscow, which is not expected to occur prior to 2021.

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**If the Baltic countries manage to deploy major infrastructure and innovation projects, this will help them reverse the negative development trends.**

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Another option for Lithuania, Latvia and Estonia – namely, the innovation-based model – is also fraught with a number of difficulties. The Baltic countries do not rank very high on the UN's Global Innovation Index, although they are nevertheless in the top third of the list, with Lithuania ranked 36th out of the 128 nations, Latvia 34th, and Estonia 24th in 2016.<sup>5</sup> So, theoretically the possibility of a new Google emerging in these countries exists. However, there is a high degree of probability that these hopes will ultimately be shattered too due to a number of problems, the most significant of which being the rapid depopulation of the Baltic republics. Over the post-Soviet period, the population of the Baltic nations has decreased by roughly one quarter. This can be put down, first of all, to the prevalence of deaths over births. However, labour migration by the residents of these countries, which intensified at first when the republics joined the European

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<sup>5</sup> The Global Innovation Index 2016. Winning with Global Innovation // Global Innovation Index, 2016. URL: <https://www.globalinnovationindex.org/gii-2016-report>

■ Sergei Reveda

Union in 2004 and then peaked during the crisis in the late 2000s, also has a lot to do with it. As a result, we are seeing a drain of the Lithuanian, Latvian and Estonian youth from their countries. Building an innovative economy without active young people is impossible. Moreover, the salary in the IT sector in the Baltic republics differs greatly from that in Western Europe.<sup>6</sup> With open borders, this means there will be an inevitable washing out of the most promising staff from the Baltic countries and an increase in the proportion of older people in the populations of these countries, including pensioners who need to be provided with social benefits. Such a change in the age structure of the population combined with a reduction in economic activity is fraught with the collapse of the social system in the Baltic countries and an increase of taxes, which will further hamper economic activity.

Long-term investments in demographic programmes, education and tools to support business, among other things, are needed to rectify this situation. In order for such measures to produce results by 2021 at the very least, actions should have been taken yesterday. But even today it would be impossible to do this since everything depends, on the one hand, on the political alignment of the country's development priorities, which will remain unchanged in the coming years, and, on the other hand, on the basic lack of financial resources, which is exacerbated by the gradual cooling off of the economy.

As a result, political constraints and demographic problems are the main reason why the Baltic republics will be unable to break the negative trends seen in their socioeconomic development. If the situation in these areas does not change in the next five years, 2021 could well be the point of no return for Lithuania, Latvia and Estonia, for which these negative processes might already be irreversible.

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<sup>6</sup> "Who Lives Well in the Baltics?" Part 5: IT and Communications // Rubaltic.ru. October 14, 2016. URL: <http://www.rubaltic.ru/infographics/komu-na-baltike-zhit-khorosho-chast-5-it-i-kommunikatsii/>

# Central and Eastern Europe Thirty Years after the Collapse of the USSR

Viktor Katona

*Since the collapse of the Soviet Union, Central and Eastern Europe (CEE) has undergone significant changes. The economies of all CEE countries have switched to a market basis, and most of them have joined the European Union and NATO. As CEE countries join regional integration associations, the share of capital from western European capital into their markets has gradually increased. The openness of the markets and the significant government support for foreign direct investment into CEE countries has enabled these states to become a new centre of manufacturing and services in Europe. The citizens of these countries are far better than they were in the past, and it would seem that the region has finally let go of its inferiority complex of the 2000s. However, following the global financial crisis, CEE countries are adjusting to a new economic reality and devoting increasing attention to politics. What will this lead to?*

## Stability via depreciation

Following the rapid growth of the pre-crisis period, particularly in 2002–2007 (Slovakia recorded GDP growth of 10.7 per cent in 2007), virtually all CEE countries (with the exception of Poland) have experienced the negative effects of the global financial crisis.<sup>1</sup> By the mid-2010s, CEE had managed to recover from the economic shock and achieve the highest economic growth rates within the European Union. In accordance with the global trend towards economic slowdown, economic growth in most CEE countries will fluctuate within the range of 1.5–3 per cent in 2017–2021. Only Serbia, whose GDP totalled only \$50 billion in 2016, will grow by more than 4 per cent – although this is due to its weaker initial position.

Poland is the unquestioned economic leader of CEE. The last time Warsaw recorded negative economic growth rates was in 1991 and the Polish economy has gone from strength to strength since then. From 1991 to 2016, the Polish economy grew by an average of 3.6 per cent per year. The openness of the economy, in addition to the market capacity and the availability of a relatively cheap and highly skilled workforce have resulted in Poland becoming one of the leading investment destinations for German business over the past two decades. In addition, Poland traditionally plays the role of a leading recipient of EU funds via the union's regional policy mechanisms. In 2014–2020 Warsaw will receive EUR 76.9 billion, which is more than Romania, Hungary, the Czech Republic and Slovakia combined.<sup>2</sup>

<sup>1</sup> World Economic Outlook Database // International Monetary Fund. October 2016. URL: <https://www.imf.org/external/pubs/ft/weo/2016/02/weodata/index.aspx>

<sup>2</sup> Available Budget 2014–2020. Regional Policy. IngoRegio // European Commission. URL: [http://ec.europa.eu/regional\\_policy/en/funding/available-budget/](http://ec.europa.eu/regional_policy/en/funding/available-budget/)

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## Most CEE economies will expand by 1.5–3 per cent per year from 2017 to 2021.

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In addition to the automotive and chemical industries and other sectors of the economy, CEE countries have become a leading hub for business services in the European space. As of 2016, there were almost 500,000 people working in this sector.<sup>3</sup> These figures are attributable to the presence of a highly skilled, multilingual workforce and the relatively low cost of labour, which in some segments of the economy is 50–60 per cent lower than in Germany and France.<sup>4</sup> The openness of the economies and their proximity to Western European markets further increases the attractiveness of outsourcing services to CEE countries.

The economic growth in a number of CEE countries is also due to the devaluation of national currencies as a result of a wide range of structural challenges. For example, in dollar terms, Poland's GDP decreased from 2014–2016, while in terms of its national currency, the country recorded economic growth of more than 3 per cent.<sup>5</sup> Devaluation has proved to be a very effective way to mitigate the effects of the global economic crisis. According to International Monetary Fund (IMF) forecasts, GDP in the Czech Republic and Hungary by 2021 will be lower in dollar terms than the 2008 level. By utilizing a flexible financial policy, a number of CEE countries have managed to further reduce the level of social inequality. At present, Slovakia, Slovenia and the Czech Republic are the most equal countries in the European Union in social terms.<sup>6</sup> On the other hand, it should be noted that other CEE countries such as Romania and Bulgaria are the most unequal countries in the European Union, with a GINI index at the level of Burkina Faso or Vietnam.<sup>7</sup>

Sustainable economic development in CEE countries may be complicated by the combination of the high level of government debt and minimal inflation, and in some cases even deflation. Slovenia and Croatia had average deflation of 0.5 per cent in 2015–2016 combined with a national debt of more than 80 per cent. Both countries have recorded rapid growth in their national debt since the start of the global financial crisis. Slovenia saw its national debt grow from 22 per cent in 2008

<sup>3</sup> The Latest Economic Factors about CEE Reveal the Region's Mission: To Outperform // EuropaProperty.com. July 5, 2016. URL: <http://europaproperty.com/news/2016/07/the-latest-economic-facts-about-cee-reveal-the-regions-mission-to-outperform-2639>

<sup>4</sup> Business Services in Central & Eastern Europe 2015 // Association of Business Service Leaders. 2015. URL: [http://www.absl.cz/docs/CEE\\_report\\_final.pdf](http://www.absl.cz/docs/CEE_report_final.pdf)

<sup>5</sup> For details see Macroeconomic Analysis of Polish Economy // Ministry of Treasure of the Republic of Poland. URL: <https://www.msp.gov.pl/en/polish-economy/macroeconomic-analysis/7004,Macroeconomic-Analysis-of-Polish-Economy.html>

<sup>6</sup> Research Findings – Social Situation Monitor – Income Inequality in EU Countries. Employment, Social Affairs and Inclusion // European Commission. URL: <http://ec.europa.eu/social/main.jsp?catId=1050&intPageId=1870&langId=en>

<sup>7</sup> GINI Index. World Bank Estimate // The World Bank Group. URL: <http://data.worldbank.org/indicator/SI.POV.GINI?end=2014&start=1991>

to 81 per cent in 2016, while Croatia witnessed an increase from 38 per cent in to 87 per cent in the same period. However, neither country reached the critical level of 100 per cent. By 2021, the tax burden of all CEE countries will gradually decline, albeit against the backdrop of sluggish overall economic growth. Inflation after 2017 will also gradually move closer to the EU target of 2 per cent per year.

### Populism and scepticism

Political trends in CEE, particularly in countries that joined the European Union in 2004, will surpass the impending regional trends which the entire Union will eventually face. For several years now, Hungary and Poland have been on the path towards nationalist conservatism, which emphasizes a nation's originality and uniqueness and its unwillingness to merge into the general "melting pot" of Europe. This growing Euroscepticism is attributable to the fact that people no longer see the benefits of EU membership against the backdrop of unemployment, deflation and an increase in national debt. The economies of most CEE countries have expanded even during the crisis years; however, increased prosperity is not typical for all countries. Urban and rural populations that have been unable to integrate into the pan-European way of life have chosen nationalism and Euroscepticism as a defence.

The Euroscepticism of a number of CEE countries has also been reflected in their perception of the sanctions imposed on Russia in 2014–2015. The Czech Republic, Slovakia, Hungary and Slovenia have repeatedly spoken out against the prolongation and extension of the sanctions regime, as it only hinders the development of trade and the establishment of normal political relations. In 2014 alone, these countries saw a decline in exports to Russia totalling \$771 million.<sup>8</sup> On the other hand, Poland, Romania and Bulgaria supported the sanctions. But they too have incurred substantial economic damage. It is no coincidence that NATO has increased its military presence in these countries.<sup>9</sup> In addition to the two missile deployment areas for the land-based missile defence system in Poland and Romania, NATO will deploy ground forces to deter Russia in the Baltics and Black Sea by 2017.<sup>10</sup>

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**People in Central and Eastern European countries are sceptical about EU membership, given the levels of unemployment, deflation and growing national debt. National sentiments in a number of countries in the region will impact the economy as well.**

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<sup>8</sup> Edward Hunter Christie. Sanctions after Crimea: Have They Worked? // NATO. July 14, 2015. URL: <http://www.nato.int/docu/review/2015/Russia/sanctions-after-crimea-have-they-worked/EN/index.htm>

<sup>9</sup> Rettman, Andrew. Thousands of NATO Soldiers Go To Baltic States, Romania // EU Observer. October 27, 2016. URL: <https://euobserver.com/foreign/135681>

<sup>10</sup> For details see URL: <https://www.gazeta.ru/army/2016/09/19/10204529.shtml>

For many years now, Romania and Bulgaria have sought to join the Schengen Area. But the other countries are in no hurry to invite them, despite the fact that they have met the necessary criteria.<sup>11</sup> Despite a 50 per cent decrease in the flow of Russian tourists to Bulgaria and a ban on the import of Bulgarian agricultural products, Sofia's reluctance to antagonize Brussels has prevailed over economic costs.<sup>12</sup> This was demonstrated earlier – the blocking of the construction of the South Stream gas pipeline fits into the same operational logic. The unwillingness to tolerate Russia strengthening its geopolitical position following the annexation of Crimea is more understandable from the point of view of Romania, which has long viewed Russia with suspicion due to geopolitical considerations (Moldova, Transnistria) and which does not trade with Russia to the same degree as other CEE countries (its bilateral trade with Russia four times less than that between Russia and the Czech Republic, for example).

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**A brain drain has caused significant harm to the countries in the region.**

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The shift towards nationalism may also have an impact on the economic situation in CEE countries. For example, Poland's attractiveness may decline following the protectionist measures implemented by the conservative government of Beata Szydło. The profit taxes introduced in 2016 for banks and insurance companies as well as a progressive tax on major retail networks also contributed to a decrease in the country's investment attractiveness.<sup>13</sup> The battle of right-wing forces in Hungary between the ruling Fidesz (Hungarian Civic Alliance) party and the opposition Jobbik may also lead to the introduction of protectionist measures, as the ruling political elite will be forced to adhere to a populist policy in order to preserve their dominant positions. Criticism of the European Union will also intensify even though EU structural funds account for 3 per cent of GDP in Poland,<sup>14</sup> and 3.1 per cent of GDP in Hungary.<sup>15</sup>

Serbia will continue the negotiations that commenced in 2014 concerning the country's accession to the European Union; however, it is unlikely to complete the

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<sup>11</sup> Chausovsky, Eugene. Bulgaria and Romania: Caught Between Crises // Stratfor. May 9, 2016. URL: <https://www.stratfor.com/analysis/bulgaria-and-romania-caught-between-crises>

<sup>12</sup> Number of Russian Federation Citizens Travelling Abroad for TOURISM in 2015 // Ministry of Culture of the Russian Federation. Federal Tourism Agency. 2015. URL: [http://www.russiatourism.ru/upload/iblock/298/1-2\\_2015\\_vuezd.doc](http://www.russiatourism.ru/upload/iblock/298/1-2_2015_vuezd.doc)

<sup>13</sup> Daniel Michaels. Poland Is No Longer the Darling of Central European Companies // The Wall Street Journal. August 2, 2016. URL: <http://www.wsj.com/articles/poland-is-no-longer-the-darling-of-central-european-companies-1470110402>

<sup>14</sup> Country Report Poland 2016. Commission Staff Working Document // European Commission. February 26, 2016. URL: [http://ec.europa.eu/europe2020/pdf/csr2016/cr2016\\_poland\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_poland_en.pdf)

<sup>15</sup> Country Report Hungary 2016. Commission Staff Working Document // European Commission. February 26, 2016. URL: [http://ec.europa.eu/europe2020/pdf/csr2016/cr2016\\_hungary\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_hungary_en.pdf)

process by 2020, as was the initial plan.<sup>16</sup> The accession of Serbia to the European Union was suspended during Jean-Claude Juncker's presidency of the European Commission.<sup>17</sup> And given the migration crisis of 2015–2016, it is unlikely that there will be a softening in the position of European structures in this regard. Having violated the previously existing mechanism for EU integration, Serbia will not be joining NATO, since it does not wish to jeopardize its constructive relations with Russia. It should be noted that, despite pressure from Brussels, Belgrade has not joined in the sanctions against Russia.<sup>18</sup> Given that the two countries are linked by a number of large-scale joint projects – in addition to the fact that Gazprom Neft owns the NIS Serbia national oil company, and Russian Railways is involved in the modernization of Serbian Railways – Belgrade prefers to combine its pro-Russian and pro-European policies.

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### **The political division into pro-Russian and anti-Russian blocs will intensify among Central and Eastern European nations.**

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Despite the fact that the United Kingdom (to which most migrants have traditionally gravitated) is leaving the European Union, migration will remain one of the key social problems in the region. According to the International Monetary Fund (IMF), 20 million people have left the CEE region over the last 25 years.<sup>19</sup> This is primarily young people, or 6.25 per cent of the working population. The number of Polish migrants in the United Kingdom and Germany alone stood at 1.5 million at the start of 2015,<sup>20</sup> with an additional 275,000 migrants from Hungary and 100,000 from Slovakia.<sup>21</sup> The IMF says that economic growth in CEE countries would be 7 per cent higher on average if these 20 million people had remained in their homelands. Of course, these assumptions are highly speculative, since the CEE economies are not capable of providing such a large number of jobs. For example, the average unemployment level in Slovakia from 1993–2013 was 14 per cent; in Poland it was 11 per cent, and in Hungary it was approximately

<sup>16</sup> Serbia. European Neighborhood Policy and Enlargement Negotiations // European Commission. URL: [http://ec.europa.eu/enlargement/countries/detailed-country-information/serbia/index\\_en.htm](http://ec.europa.eu/enlargement/countries/detailed-country-information/serbia/index_en.htm)

<sup>17</sup> Poznatov, Maja. Serbia Grudgingly Accepts Juncker's Enlargement Pause // EurActiv. September 16, 2014. URL: <https://www.euractiv.com/section/enlargement/news/serbia-grudgingly-accepts-juncker-s-enlargement-pause/>

<sup>18</sup> Serbia Defies EU Pressure To Join Sanctions Against Russia // France 24. October 20, 2016. URL: <http://www.france24.com/en/20161020-serbia-defies-eu-pressure-join-sanctions-against-russia>

<sup>19</sup> Emigration and Its Economic Impact on Eastern Europe. IMF Staff Discussion Note // International Monetary Fund. July 2016. URL: <https://www.imf.org/external/pubs/ft/sdn/2016/sdn1607.pdf>

<sup>20</sup> Poland Overtakes India as Country of Origin, UK Migration Statistics Show // BBC. August 25, 2016. URL: <http://www.bbc.com/news/uk-politics-37183733>

<sup>21</sup> Foreign Population // Statistisches Bundesamt. 2015. URL: <https://www.destatis.de/EN/FactsFigures/SocietyState/Population/MigrationIntegration/ForeignPopulation/Tables/CitizenshipTimeSerie.html>

■ Viktor Katona

9 per cent.<sup>22</sup> Unemployment in Serbia has not dipped below 15 per cent since 2009, although it appears this threshold will finally be passed by 2017.<sup>23</sup> Nevertheless, the brain drain continues to have a negative effect on the countries of the region.

Thirty years after the collapse of the USSR, CEE countries continue to see economic growth and remain among the most attractive regions in Europe in terms of investment conditions. CEE countries will remain vulnerable to external shocks due to the openness of their economies; however, they will manage to overcome structural challenges thanks to the floating exchange rate of national currencies in a number of cases. Despite increasingly distinct manifestations of Euroscepticism, CEE countries will not leave the European Union, since their economies are heavily dependent on the markets of other European partners and EU funds. In political terms, there will be an even more pronounced division of CEE nations into pro-Russian (Serbia, Hungary, Slovakia and the Czech Republic) and anti-Russian (Poland, Romania and Bulgaria) groups, whose structure will remain unchanged. If the sanctions against Russia are lifted by 2021, it is highly likely that the CEE countries which favour developing relations with Russia will play the leading role in this process along with Italy, Greece and Cyprus.

<sup>22</sup> Unemployment in Slovakia // Ministry of Finance of Slovakia. November 2014. URL: [https://www.finance.gov.sk/en/Components/CategoryDocuments/s\\_LoadDocument.aspx?categoryId=698&documentId=605](https://www.finance.gov.sk/en/Components/CategoryDocuments/s_LoadDocument.aspx?categoryId=698&documentId=605)

<sup>23</sup> Rates of Activity, Employment, Inactivity and Unemployment // Statistical Office of the Republic of Serbia. 2016. URL: <http://webrzs.stat.gov.rs/WebSite/Public/ReportResultView.aspx?rptKey=indId%3d24000200IND01%26102%3dRS%266%3d1%2c2%2c3%2c4%2623%3d0%2c1%2c2%262%3d%23Last%231%2640%3d15%2cL15-24%2cL15-64%26sAreaId%3d2400021200%26dType%3dName%26lType%3dEnglish>

## Goodbye Post-Soviet Space?

*Sergei Markedonov*

*More than two decades after the collapse of the USSR, the phrase “the post-Soviet space” is still widely used in expert and political discourse, despite attempts to replace it with another definition”<sup>1</sup> such as the “Newly Independent States” or “Eurasia”.*

At first glance, the concept of the “post-Soviet space” is firmly tied to the idea of a state of transition. It records a reality that emerged after the disintegration of what was once a unified state. However, during the time since the collapse of the USSR, that reality has changed dramatically and continues to change before our eyes. After all, the definition “post-British space” was never used with regard to India, Pakistan, Bangladesh or Nigeria. Similarly, Indochina and Algeria were never referred to as “post-French”.

Fifteen independent states appeared on the world map with the collapse of the USSR. Each of these states has covered an arduous path of national construction and gaining international legitimacy. In the intervening period, the space that had been the Soviet Union until 1991 has become greatly fragmented. Some former Soviet republics have joined NATO and the European Union, while others are trying to form an alternative to the Euro-Atlantic project in the shape of Eurasian integration.

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**At first glance, the concept of the “post-Soviet space” is firmly tied to the idea of a state of transition.**

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The breakup of the USSR did not exactly follow the borders formed during the Soviet period. Many new independent states, including Russia, have faced challenges in the form of separatists and lived through ethno-political conflicts. As a result, de facto entities emerged that have received only partial international recognition or no recognition at all. Russia went through the complicated and controversial process of integrating an unrecognized republic that had been outside the jurisdiction of the central government for six years.

Whatever the case, the initial conditions of the disintegration of what was once a unified state as formulated in the Belavezha Accords and the Declaration of Alma-Ata was in 1991 no longer reflect reality.<sup>2</sup> The principle of the inviolability of

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<sup>1</sup> The definition was introduced by Orientalist A. Prazauskas. See: Prazauskas A. The CIS as Post-Colonial Space. *Nezavisimaya gazeta*. February 7, 1992.

<sup>2</sup> The text of the Belavezha Accords is available in: Newsletter of the Congress of People’s Deputies of the Russian SFSR and the Supreme Soviet of the Russian SFSR. 1991. No. 51. Article 1798 (in Russian); Declaration of Alma-Ata, December 21, 1991. URL: <http://docs.cntd.ru/document/1900101> (in Russian); Economic Court of the Commonwealth of Independent States. Resolution on Interpretation in Response to a Query on the Application of the Provisions of Agreements and Other Acts of the Commonwealth, March 31, 1994. URL: [http://www.sudsng.org/download\\_files/rh/1994/Rh\\_02\\_94\\_310394.pdf](http://www.sudsng.org/download_files/rh/1994/Rh_02_94_310394.pdf) (in Russian).

the borders between republics has been contravened on a number of occasions. Precedents have been set whereby the independence the former union states, as well as of autonomous entities, is recognized, as are changes in the jurisdiction of the territory of one country in favour of another.

The new state entities have complicated and often openly hostile relations with one another, and most of all with the centre of former military, economic and political power, which is now embodied by the Russian Federation as the legal successor to the USSR. Of the 15 former republics of the Soviet Union, four have no diplomatic relations with one another (Armenia and Azerbaijan, Russia and Georgia). Unregulated border disputes are the bane of practically all Central Asian states. Russia and Ukraine have not broken diplomatic relations formally, but relations between the two countries are at their lowest ebb since December 1991.

The new independent states are more integrated into the world economy and politics. Important international players such as the United States, the European Union (and individual European countries), the People's Republic of China, Japan, Turkey, Iran, integration structures (NATO) and transnational corporations have indicated that they have interests in the former USSR. Their presence is prompted not only by the aspirations of these players themselves; the new national elites in these states also have reasons to welcome the participation of external forces. As a consequence, the territory of what was once a single state becomes an area of rivalries.

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### **The common historical past that once linked the peoples of the USSR has ceased to be a uniting factor.**

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The common historical past that once linked the peoples of the USSR has ceased to be a uniting factor. On the contrary, as events in Ukraine, Moldova and Transcaucasia have shown, this past is becoming an object of heated debate and “memory wars”, which are by no means always confined to academic and journalistic formats.

The question may well be asked: How much longer will it be relevant to speak about states with different identities, models of state building, foreign policy interests and values as single entities bound by the borders of the post-Soviet space and the structured community based on that definition? There are no prerequisites for the recreation of what used to be a unified state, not to speak of the fact that such a hypothetical entity cannot be based on a Soviet economic, political and ideological platform. Would it not be easier to dump the concept as no longer reflecting modern realities?

### **The Soviet and the post-Soviet: an inseparable link**

The above questions are not as simple and straightforward as they may first appear. To begin with, in spite of the considerable fragmentation of what used to be a common space and the sharp conflicts within it, it still has links with its Soviet

past, whether this pleases consistent champions of the ideals of decommunization or not. In other words, the concept of the “post-Soviet space” cannot be separated from the Soviet context.

Indeed, in December 1991, a state that occupied one-sixth of the earth’s surface disappeared from the world map. The disintegration of the USSR has been completed in formal legal terms. But, historically, the process of disintegration has only just begun, because it triggered the formation of new state entities and political nations, a process that still continues. This much is clear from the unsettled conflicts in Donbass, Transnistria and Nagorno-Karabakh, and parallel political and legal situations in Abkhazia, South Ossetia and Crimea. Russia has recognized the independence of the former autonomies, which Georgia and a number of Western countries consider to be occupation. As far as Russia is concerned, Crimea and Sevastopol are two constituent entities of the Russian Federation, while Ukraine and its Western partners see them as annexed Ukrainian territories.

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The question is not solely or largely about the interference of Moscow, Washington or Brussels, but of the inability of the new state elites to pursue national construction without conflicts and in the interests of various ethnic groups and regions. Meanwhile, in spite of publicly professing a clean break with the past, they are still caught up in Soviet approaches and models.

The main subjects in the USSR were not citizens, but rather socialist nations. In fact, the Soviet state identified ethnic groups as the key subjects of politics and state law. The priorities were the rights of nations and not of individuals. Ethnic differences between Soviet citizens were sealed in territorial terms. The number of ethnic groups entitled to their “own land” varied depending on the twists and turns of the Party’s general line.

In practice, this created the perception of collective (ethnic) property of this or that ethnic entity (in its highest phase, national entity) of a territory designated as a national republic, an autonomy within a national republic and even ethnically constructed areas. Renunciation of individual rights in favour of collective rights created the prerequisites for the emergence of ethno-national movements for self-determination of future independent states and the emergence of hotbeds of conflict and unrecognized republics. As Russian-born American ethnologist Yuri Slezkine aptly put it, the USSR was created by nationalists, and it was destroyed by nationalists.<sup>3</sup> As early as 1924, the prominent Lithuanian Bolshevik Juozas Vareikis came up with a brilliant formula to describe the USSR, calling “the world’s first state of workers and peasants” a communal apartment that has been rebuilt

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<sup>3</sup> Slezkine Y. The USSR as a Communal Apartment, or How a Socialist State Promoted Ethnic Particularism // *Slavic Review*. 1994. Vol. 53. No. 2. Pp. 414–452.

repeatedly through administrative and territorial transformations (and often the deportation of entire peoples).<sup>4</sup>

As the integration potential of the Soviet state weakened and the ideology of integration was in crisis, the process of the ethnic and national self-determination of its constituent republics gained momentum. However, the disintegration of a single state did not proceed on a legal basis, with a clear indication of the contradictions within and between the constituent entities and with ways of resolving them, but rather on the basis of political expediency. As they bade farewell to the USSR, the new independent states clearly did not want to renounce the territorial divisions and borders inherited from the “accursed past” as part of the heritage of the “Kremlin Empire”. The result was paradoxical: the new entities resented the power and influence of Moscow, but were prepared to accept the territory “built” with the help of the union centre, without however working out fundamentally new (non-Soviet and non-imperial) mechanisms of ensuring integrity and national unity. As a consequence, there was a crisis of legitimacy (the refusal of part of the population to embrace the new state project) and a transition to the confrontation model of resolving ethnic and political disputes, only now without the resource of the union centre that could act as an arbiter. This stimulated interest in involving external players who, it was hoped, would help to “restore the territorial integrity” in its Soviet (*sic!*) configuration.

### Putting the state together again and external assistance: losses or gains?

This was the case in the late 1990s, when the Georgian leadership despaired of regaining control over the former South Ossetian Autonomous Oblast and the Abkhaz Autonomous Soviet Socialist Republic and chose NATO as its strategic partner. A similar drift occurred in Moldova, which lost control over Transnistria. The difference here was that it focused on cooperation with the European Union, rather than with NATO. Ukraine is acting in much the same way, abandoning its non-aligned status and building up its partnership with the West as it seeks to regain control over Donbass and Crimea. We should point out here that Azerbaijan is trying to resolve the Nagorno-Karabakh conflict positively without challenging either Russia or the West. Instead, it is trying to balance between them.

In any case, the states involved in ethnic-political conflicts are seeking to achieve the best possible outcome for themselves, not so much by reappraising their own state building methods or engaging in dialogue with those who are considered to be their citizens *de jure*, but by securing a favourable external ally – an ally who could contribute resources that would hopefully tip the balance of power. Thus, foreign policy choices are determined not so much by value dimensions as by the wish to strengthen the new statehood from without rather than from within. If this

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<sup>4</sup> Slezkine Y. The USSR as a Communal Apartment, or How a Socialist State Promoted Ethnic Particularism // *Slavic Review*. 1994. Vol. 53. No. 2. Pp. 414–452.

cannot be done with the help of Moscow, then relations with the West are brought in. As a result, the political identity of these states is minimized and the question of its future territorial configuration is left for external forces to decide, be it Russia, the United States or the European Union. Thus, the new independent countries become hostages to the dynamics of these relations, which, in spite of the fragmentation of the national interests of these countries, are focused around conflicts dating back to Soviet times.

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**Foreign policy choices are determined not so much by value dimensions as by the wish to strengthen the new statehood from without rather than from within.**

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Given this situation, dividing up the common Soviet legacy ceased to be the business of the successors only. Moscow would like the disintegration of the Soviet Union to be carried to its logical conclusion (when all the countries have sorted out their border claims and are able to proceed to establish pragmatic, if not good-neighbourly relations) as an “internal matter” for the former union republics. However, many new independent states are interested in the participation of external players. This is also in the interests of the West, which fears “re-Sovietization” in the broad sense: not only or largely as a communist comeback, but as the establishment of a Russian sphere of political influence outside the control of the United States and its allies.

These different readings of the situation add an extra element of conflict to the division of the Soviet legacy and thus impede the completion of the historical process of the disintegration of the USSR. On the face of it, the West should be very interested in seeing the end of that process, but by its interference it makes that prospect more remote. Moreover, the remaining conflicts lend additional impetus to the existence of the post-Soviet space. Without regulating the confrontations and contradictions, it will remain for many years to come a community of countries cemented by a negative historical memory, the roots of which largely go back to Soviet times.

As long as the heirs of the once unified state continue to put their nation state projects “back together” within the borders of the former union republics without working out modern approaches, putting territory and the principle of “integrity” above the population and its rights, the end of the “post-Soviet stage” will be postponed again and again. Moreover, the attempts to bring new external players into the process of “gathering the lands” will multiply rather than diminish the risks.

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**Dividing up the common Soviet legacy ceased to be the business of the successors only.**

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■ Sergei Markedonov

The key role in determining the configuration of the post-Soviet space will be played by the Russian Federation regardless of whether its position grows stronger or weaker.

Three basic scenarios of how events may develop in the territory of the once unified state are likely.

**The first scenario** of completing the process of disintegration of the USSR is arguably the most favourable and positive. Its implementation involves the strengthening of its own state as a political entity and the building of pragmatic relations of the new national elites with the former “mother country”. In this case, there may be a chance of settling ethno-political conflicts, achieving the mutual recognition of state borders and introducing a new quality of foreign policy that is not tied to the Soviet past.

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**The key role in determining the configuration of the post-Soviet space will be played by the Russian Federation regardless of whether its position grows stronger or weaker.**

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In fact, it would mean drawing a line under the common legacy. Thereafter, each country would be able to choose a foreign policy line that suits it best, in which the main priorities would depend not on the settling of accounts with neighbours or the former union centre, but on actual challenges in the economic, security and humanitarian fields. As a result, the post-Soviet state as a community would recede in history and new configurations would arise on its basis.

**The second scenario** would see the withdrawal of Russia. The pressure of sanctions or internal political problems coupled with the deepening of the social and economic crisis would trigger centrifugal trends that would undermine the Russian state. Degradation of the state institutions of the leading post-Soviet country may lead to increased chaos not only in the former USSR, but also in “Greater Europe”. The North Caucasus alone, with its numerous ethnic and inter-ethnic conflicts, may prevent stability being established in that part of the world for years, not to mention the problem of nuclear arms control in Russia, which presents a challenge to the global world order.

**The third scenario**, which may be called “increased competition”, would see Russia preserve its position as a key player. However, the new nation states will not try to become more effective or political subjects in their own right, but would rather do everything to bring in external players (individual states or alliances such as NATO and the European Union) to solve their own problems, shore up the models of national construction and foreign policy based on opposition to Moscow. Additional risks may appear if foreign players intensify their interference in order to contain and sideline Russia. Under this scenario, the post-Soviet space would survive for many years as a territory that reproduces instability. The instability would be legitimized by turning to the historical (Soviet) past, which would remain

the basis of conflicts and contradictions.

Thus, the preservation of a strong and responsible Russia that is capable of playing the role of moderator in ethno-political conflict settlement and the eventual stabilization of the former Soviet space is good for new national elites, not from the abstract, but from the pragmatic point of view. However, the process of disintegration of the USSR and the formation of a new reality in place of the post-Soviet space will drag on if the national elites do not become independent political actors pursuing their own interests and cease acting as tools to promote the goals and tasks of others.

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The Russian International Affairs Council (RIAC) is a non-profit international relations think-tank on a mission to provide policy recommendations for all of the Russian organisations involved in external affairs.

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