

# THE CHINA AND EURASIA FORUM QUARTERLY

---

Central Asia-Caucasus Institute & Silk Road Studies Program

---

*Volume 6, No. 3*

*August 2008*



*Central Asia- Caucasus Institute  
Silk Road Studies Program*



The *China and Eurasia Forum Quarterly* is a publication of the Central Asia-Caucasus Institute & Silk Road Studies Program.

The Central Asia-Caucasus Institute & Silk Road Studies Program is a joint transatlantic independent and externally funded research and policy center. The Joint Center has offices in Washington and Stockholm, and is affiliated with the Paul H. Nitze School of Advanced International Studies of Johns Hopkins University and the Institute for Security and Development Policy (ISDP). It is the first Institution of its kind in Europe and North America, and is today firmly established as a leading center for research and policy worldwide, serving a large and diverse community of analysts, scholars, policy-watchers, business leaders and journalists. The Joint Center aims to be at the forefront of research on issues of conflict, security and development in the region; and to function as a focal point for academic, policy, and public discussion of the region through its applied research, its publications, teaching, research cooperation, public lectures and seminars.

**The China and Eurasia Forum** is an independent forum which seeks to bring together regional experts, academics, government policy makers, and business leaders with an interest in the growing relationship between China and Eurasia. Focusing primarily on Sino-Central Asian, Sino-Russian, and Sino-Caucasian relations, the aim of *China and Eurasia Forum Quarterly* is to foster discussion and information sharing between a geographically distant community that recognizes the significance of China's emergence in this important part of the world. The journal aims to provide our readers with a singular and reliable assessment of events and trends in the region written in an analytical tone rather than a polemical one.

#### **Abstracting Services**

The China and Eurasia Forum Quarterly is currently noted in the International Bibliography of the Social Sciences (IBSS) and is also available through EBSCO Research Databases.

#### **Upcoming Issues**

\* November 2008

\* February 2008 – Special Issue on Sino-Russian Relations

#### **Subscriptions**

Subscription inquiries and requests for hard copies should be addressed to: The China and Eurasia Forum, The Central Asia-Caucasus Institute, Paul H. Nitze School of Advanced International Studies, 1619 Massachusetts Ave. NW, Washington, D.C. 20036, United States or The China and Eurasia Forum, The Silk Road Studies Program, Institute for Security and Development Policy, V. Finnbodav. 2, 13130 Nacka-Stockholm, Sweden. E-mail: [nnorling@silkroadstudies.org](mailto:nnorling@silkroadstudies.org)

Visit our Website at: [www.chinaeurasia.org](http://www.chinaeurasia.org)

The statements of fact or opinion expressed in the articles or commentaries do not necessarily reflect those of the publisher and sponsors.

Printed in Singapore by Stallion Press Ltd. © Central Asia-Caucasus Institute & Silk Road Studies Program, 2007. The China and Eurasia Forum Quarterly (ISSN 1653-4212) is published by the Central Asia-Caucasus Institute & Silk Road Studies Program <[www.silkroadstudies.org](http://www.silkroadstudies.org)>.

Map used in the cover design is courtesy of the University of Texas Libraries, The University of Texas at Austin.

# THE CHINA AND EURASIA FORUM QUARTERLY

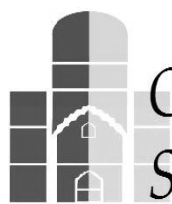
*Volume 6, No. 3*

*August 2008*

Editor-in-Chief

**Niklas Swanström**

*Institute for Security and Development Policy, Sweden*



*Central Asia- Caucasus Institute  
Silk Road Studies Program*

This publication was made possible with the support of



The Swedish Ministry for Foreign Affairs

and



Vetenskapsrådet

The Swedish Research Council

THE CHINA AND EURASIA FORUM QUARTERLY  
EDITORIAL BOARD

Editor-in-Chief

**Niklas Swanström**

*Institute for Security and Development Policy, Sweden*

*E-mail: nswanstrom@silkroadstudies.org*

Editors

**Nicklas Norling**

*Institute for Security and Development Policy, Sweden*

*E-mail: nnorling@silkroadstudies.org*

**Christopher Len**

*Institute for Security and Development Policy, Sweden*

*E-mail: clen@silkroadstudies.org*

Senior Advisors

**Daniel L. Burghart**

*National Defense University,  
United States*

**Svante Cornell**

*Director, Institute for Security and  
Development Policy, Sweden*

**David M. Finkelstein**

*The CNA Corporation, United States*

**Pan Guang**

*Shanghai Academy of Social Sciences,  
China*

**Bates Gill**

*Director, Stockholm International Peace  
Research Institute, Sweden*

**Zhao Huasheng**

*Fudan University, China*

**James A. Millward**

*Georgetown University, United States*

**Malia K. Du Mont**

*Co-Founder of the China-Eurasia Forum  
and Former Associate Editor of the CEF  
Quarterly, United States.*

**Matthew Oresman**

*Co-Founder of the China-Eurasia Forum,  
Former Director of the China-Eurasia  
Forum and Former Editor of the CEF  
Quarterly, United States*

**S. Frederick Starr**

*Chairman of the Central Asia-Caucasus  
Institute, United States*

**Farkhod Tolipov**

*National University of Uzbekistan,  
Uzbekistan*

**Dmitri V. Trenin**

*Carnegie Endowment for International  
Peace, Russia*

## Contents

Shanghai Cooperation Organization and the Aftermath of the Russian  
Invasion of Georgia  
*Niklas Swanström*..... 3

Water and Energy Crisis in Central Asia  
*Bo Libert, Erkin Orolbaev, and Yuri Steklov* ..... 9

Combating Money Laundering in Eurasia: Lessons from Kyrgyzstan and  
Georgia  
*C. Berglund, M. Jonsson, C. N. Larsen, and E. Götz*.....21

Pakistan's Nuclear Defense Ambitions and U.S. Relations, the Global  
War on Terror in FATA: Promoting Regional Stability?  
*David A. Anderson and Heather Maki*.....45

Post-war Reconstruction in Afghanistan and the Changing NGO-  
Government Relationship  
*Šárka Waisová*.....65

The Formation of Modern Uyghur Historiography and Competing  
Perspectives toward Uyghur History  
*Nabijan Tursun*.....87

Two Decades of HIV/AIDS in Tajikistan: Reversing the Tide or the  
Coming of Age Paradigm?  
*Alisher Latypov*.....101

Should an Unholy Cabal of German Greens and Industrialists Finance a  
Resurgent Russia? Natural Gas, Central Asia and Europe after the  
Georgian War  
*Michael Mihalka*.....129

East Asian Energy Cooperation: China's Expanding Role  
*Gaye Christoffersen*.....141

Dear Colleagues and Friends,

We are pleased to announce the release of this year's third issue of the *China and Eurasia Forum Quarterly*. The journal is now in its fifth year of publication and the title of it appears more and more relevant for each successive year. China's presence in Central Asia is growing stronger while the Central Asian states gradually have strengthened their room for foreign policy maneuver. Most importantly, China is opening up unprecedented opportunities for the Central Asian states engagement with other states and organizations.

These developments are most evident in Turkmenistan where Ashgabat has used China's recent entry into the country as leverage on Russia and other countries interested in its vast gas reserves. During the first part of 2008, the new leadership of Turkmenistan received no less than 600 foreign delegations of business representatives and government officials to the country. Kazakhstan, in turn, has continued to build on its economic progress and the prospect of holding the OSCE presidency in 2010 and joining the WTO. Kazakhstan's engagement with China is also strengthening following the completion of an oil pipeline connecting them in 2005. Uzbekistan, meanwhile, has terminated its membership in the Russia-dominated Eurasian Economic Community and appears to be making another U-turn in its foreign policy.

It would be unfair to credit China for opening up all of the current opportunities presented to the Central Asian states; the Euro-Atlantic community has certainly also provided invaluable support to these states. But the fact that China soon will eclipse Russia's bilateral trade with the five Central Asian republics and that China is the country that has broken Russia's energy-import monopoly with this region currently makes it the most important driver for Central Asia's options and opportunities.

Since 2006 the price paid for Central Asian gas has almost tripled as a result of this while Turkmenistan, Uzbekistan, and Kazakhstan have demonstrated a rare tendency to cooperate and concert their bargaining powers—much as a consequence of China's engagement. China may not share the West's commitment to democracy and financial transparency, and will not seek to promote this in Central Asia, but it is still the Central Asian states' only real bulwark against Russian domination.

The wedge driven by China in between Russia and the Central Asian states became especially evident with Russia's war in Georgia. The Shanghai Cooperation Organization did not take a stand in Russia's favor

because of China's influential role in the organization and the shared interests of China and the Central Asian states in preventing secessionist conflicts.

This said, the so-called 'multi-vector' engagement of the Central Asian states with the West, China, and Russia has become increasingly uncomfortable for Moscow and the new Russian government will continue to put pressure on these governments to remain within the Kremlin's parameters of 'acceptable policies'. The selection of Kazakhstan as the destination for President Medvedev's first foreign trip in July is indicative to the importance that Kazakhstan plays in the Russian geo-political calculus. This trip was also followed up with Russian head of state visits to Uzbekistan, Turkmenistan, and Kazakhstan where energy figured high on the agenda. Thus, a key issue to watch during the next year will be Moscow's response to the Central Asian states' diversification of energy exports and how China will react to Russia's use of force in its "near abroad".

We are confident that the geopolitics of Central Asia, China's key role in shaping this landscape, and its role as an arbiter of these states autonomy from Russia will make the focus of this journal all the more relevant in the future. To improve accessibility and to reach a larger audience, the China and Eurasia Forum Quarterly will launch a new website in early 2009. We highly welcome your comments and suggestions of new features and forums which could improve communication among our readers and authors. Finally, as always, we encourage you to submit interesting and thought-provoking articles to the editors of this journal.

On behalf of the CEF team, we hope you will enjoy your read.

Niklas Swanström  
Editor-in-Chief  
nswanstrom@silkroadstudies.org

Nicklas Norling  
Editor  
nnorling@silkroadstudies.org



# Shanghai Cooperation Organization and the Aftermath of the Russian Invasion of Georgia

*Niklas Swanstrom*\*

## **Introduction**

The Russian invasion of Georgia did not provoke too much concern from either China or the Central Asian governments. On the contrary, smug smiles were initially seen in many capitals of the Shanghai Cooperation Organization (SCO) members. Georgia is, to the displeasure of many, a very defiant and rapidly growing democracy that had the nerve to leave the embracing bosom of Russia. Many of the SCO member states have been concerned with domestic upheaval and the spread of “destabilizing” democratization movements and color revolutions. Nevertheless, this shared threat perception did not translate into support for Russia’s invasion as the consequences and the reactions have been far greater and stronger than any of the SCO members possibly could have imagined, including Russia. The invasion has resulted in three key developments: first, it speeded up the process of Georgia’s NATO membership; second, it opened up discussion of Georgia becoming an EU member state; and third, it highlighted the question of recognition of separatist regions. Although EU membership remains distant, these three developments should be considered a major setback for Russia’s interests.

## **Negative Reactions Towards Russia**

What then went wrong in Russia’s calculations? First of all, there was far greater support from the West, in particular from the U.S. and the former East European states, than the SCO members ever could have imagined, especially Russia. Chinese newspapers, for instance, had earlier ridiculed Georgian President Mikheil Saakashvilli for his “naïve belief” that his American friends would come to his rescue. Beijing’s mockery has now ended as the U.S. demonstrated a very strong commitment, not

---

\* Niklas Swanstrom is Editor-in-Chief of the China and Eurasia Forum Quarterly and Director of the Stockholm-based Institute for Security and Development Policy in Sweden.

only to the rebuilding of Georgia but also to that of the Georgian military forces. Similarly, the EU has taken a very strong political stand against Russia, and anti-Russian sentiments have surfaced in many European states. This came as a surprise to China and the Central Asian states who did not foresee how the defense of a small state like Georgia could be worth the potential costs of alienating Russia. While this support, unfortunately, came late, it nonetheless pitted the West, as well as most of the international community, against Russia. Some states in Europe, most notably Germany, have taken a more moderate policy towards Russia due to its own energy interests. Even so public opinion within the EU towards Russia has taken a great hit.

Calls for sanctions against Russia were raised in Europe and the US. Russia has managed to avoid such efforts although the US has become much tougher on business originating from Russia after the invasion of Georgia. Sanctions are also unlikely to garner traction in international bodies such as the UN due to the veto powers of Russia and China in the UN Security Council. It is, however, very likely that Europe and the U.S. will engage in indirect forms of sanctions, such as keeping Russia outside political and military cooperation. This said, Europe has always been divided on how to handle Russia although most EU member states share a strong concern for a revanchist Russia. Indeed, the strength of the support to Georgia is often considered to be directly related to the dependence on Russian energy supplies and fear of Russian responses. Concerns over further Russian adventures in its neighbors' territories are especially felt among the former Soviet-states bordering Russia, such as Ukraine. Similarly, the Central Asian SCO members have become increasingly worried over the extent of Russia's influence in Central Asia as their perceived misbehavior could be met with retaliation. Tajikistan has already begun to question the size of the Russian military presence at its Gissar Airport, while other states are showing similar concerns about Russian adventurism and extra-territorial action. These concerns are heightened by the West's slow reaction to Russia's invasion of Georgia. The common sentiment among the Central Asian governments is that reactions would be even slower if similar actions were taken against Central Asia considering their weaker links to the West. Hence, the Central Asian governments are likely to want to further diversify their foreign relations away from Russia, towards the West and China, as a result

China, in contrast, is not concerned with the prospect of punitive actions from Moscow. Beijing's first priority has been to contain the Russian invasion of Georgia to a "European problem", hoping that it would not become an internationalized issue. This approach has lost its value as Russia has internationalized the issue by declaring the territories independent. While Nicaragua has sided with Russia in the independence

issue, the U.S. and Europe are vigorously trying to prevent further escalation in Georgia and nullify (or contain the impact of) the Russian declaration of independence.

China like the rest of the SCO members should in fact be very concerned with this development since Russia's invasion of Georgia has effectively created a conflict between its raw material supplier (Russia) and its export markets (Europe and the US). Moreover, if it escalates and Russia continues to violate Georgia's, or any other states, sovereignty, it will be difficult for China to stay neutral. It has been suggested that China should act as a middleman between Russia and the West. However, this would put China's relations with all parties at risk if the conflict escalates.

### **Impact on the SCO**

The West cannot back down at this stage as Russia has attacked a nascent democracy in Europe's neighborhood. This has been regarded by the West as an affront by Russia towards the core liberal values the West embodies, and also in breach of international law. China and the Central Asian states may not be overly concerned about Russia's hostility towards democratic states but other core values are at stake for them. First, principles of sovereignty and self-determination were compromised. Russia's behavior has affected the SCO members' basic stand on non-interference and casts unwelcome light on China's own secessionist conflicts in Taiwan, Xinjiang and Tibet. Would Taiwan, for example, with the assistance of the U.S., be allowed to secede from China or would China accept foreign states handing out passports in Chinese territories? A number of parallels could be drawn from China's situation and Russia's actions and Russia seems to have ignored the very well-known attitude of China to these problems. If China had received a guarantee from Russia that the issue would not affect the Chinese situation, it is obvious that such assurances were of little substance. China has tried to define this conflict as a territorial conflict between Russia and Georgia. However, with the prior struggle for self-determination in South Ossetia and Abkhazia combined with the declaration of independence, this becomes a very hollow argument. This risks ensnaring many states in a secessionist debate and, worse, conflict that would be very unfortunate for these states as well as the international community. The scourge of separatism and foreign intervention in internal affairs will directly create problems for China and many other states. In the interest of international peace and security, these trends seen in Georgia and Kosovo need to be addressed through the right political mechanisms, and not with the use of military force.

If these tensions continue, and they are likely to so for some time, relations between Russia and China will be altered and, by extension, the very structure of the SCO will be affected. The bilateral Sino-Russian relationship is one of the primary pillars of the SCO and continued healthy relations are fundamental for the organization. Two questions have surfaced as a result of Russia's behavior. First, will the SCO continue to mature as the preferred regional cooperation organization in Central Asia? Second, will the SCO take a more anti-western stance as a result of differing values and perceptions of international law?

It is apparent that China is dependent on Russia to a great extent, especially for natural resources, and it would be hugely advantageous for China in the short-term, if Russia would redirect its energy flow to China. However, the sovereignty issue together with Russia's support for separatist forces drives a wedge between them. China will have to choose between scylla and caribus (economy versus political stability): while the West offers political stability and a principle supporting China's sovereignty, the Russian option opens up for separatism but guarantees natural resources. In the end, many factors support the argument that China and the Central Asian states find political stability more important. Moreover, China has shown itself, since 1979, to be an increasingly responsible power at the international level with little taste for geopolitical adventures, such as those Russia currently engages in.

This is not only a question of Sino-Russian relations. The smaller states in the SCO are increasingly concerned about present development. If Russia continues down the road of unilateral intervention it will undermine the Central Asian states' sovereignty, threatening the integrity and independence of the latter. Kazakhstan, with a large Russian minority, has many reasons to be concerned with Russia's actions in Georgia. Other Central Asian states in the process of democratization, changing geo-political partners, or in any way "challenging" Russia's interests would also feel more insecure towards a revanchist and more interventionist Russia.

As a result, China has strengthened its position inside SCO, as the other members regard it as a more benign power. In the SCO context, this may not be a positive development since Russia will not continue to support SCO if its own position in the organization diminishes. It is no wonder that the Georgian question was avoided at the SCO heads of state meeting in Dushanbe. The discussion of this conflict could have created a split between Russia and the other members on the fundamental principles of sovereignty, self-determination, and non-intervention. The deafening silence that the SCO members directed towards Russia, which had expected greater support for its actions, is indicative that Russia's behavior towards Georgia would not be supported by fellow SCO members.

## **Conclusion**

Will the crisis in Georgia and the Russian aggression have a lasting effect or will this be forgotten in a few months? At present, the former seems more likely. The crisis has triggered a number of security worries among Russia's neighbors both in Europe and Asia, and also in the US. Russia is once again viewed as an aggressor, expansionist and interventionist. This is especially so among its smaller neighbors that have earlier been subject to Russian interventions and occupation, most notably the Central Asian states.

# CHINA SECURITY

*Bringing Chinese Perspectives to Washington*

A policy journal on  
China's strategic challenges

**Subscribe now!**  
[www.wsichina.org](http://www.wsichina.org)

中  
國  
安  
全



# Water and Energy Crisis in Central Asia

*Bo Libert, Erkin Orolbaev, and Yuri Steklov\**

## **A Cold Winter in Central Asia**

After a very cold winter in Central Asia in 2007-2008 followed by a dry spring and summer, the water and energy situation in the region is critical and political relations strained. The situation is so serious that it was addressed to at an extraordinary meeting of Central Asian Heads of State held in Bishkek early in October 2008.

The extensive use of hydropower in Kyrgyzstan during the winter resulted in a very low level of water in the major Toktogul Reservoir on the Naryn, a principal tributary of the Syr Darya. As a consequence, the downstream countries Uzbekistan and Kazakhstan have not received as much water from the Syr Darya for irrigation in the spring and summer as they need.

The winter also had severe consequences in energy-poor Tajikistan, with significant losses of lives and livestock. Basic services such as heating and water supply were not available for days even in the capital, Dushanbe. This was the coldest winter in several decades, and demonstrated the need to develop reliable energy supplies. Further significant power shortages are expected in Kyrgyzstan and Tajikistan over the forthcoming winter.

## **Background**

There are two major rivers in Central Asia: the Amu Darya and the Syr Darya, both of which discharge into the Aral Sea. During the Soviet Union era, a large part (73 percent) of the Amu Darya run-off was formed in the territory of one country, with the remaining part of the run-off coming from the territories of Afghanistan and Iran (background data referred to in this article can be found in UNECE, UNESCAP, 2004). The Syr Darya basin was completely located within the Soviet Union. Therefore, the rivers were managed as national rivers, as the

---

\* Bo Libert is Regional Adviser on Environment, UNECE, Geneva, Switzerland. Erkin Orolbaev and Yuri Steklov are consultants based in Bishkek, Kyrgyzstan and Bangkok, Thailand. The views expressed in this chapter are those of the author and do not necessarily reflect the views of the United Nations Economic Commission for Europe.

administrative borders between the Central Asian Soviet republics (Kazakh, Kyrgyz, Tajik, Turkmen and Uzbek) were considered to be provincial.

Large dams and associated reservoirs were constructed in the mountainous upper reaches of the Kyrgyz and Tajik Soviet Republics to accumulate the flow of those rivers during the non-irrigation season. At the same time, irrigation systems were developed on millions of ha of land in the lower reaches, i.e. in the Uzbek, Kazakh and Turkmen Soviet Republics.

The primary goal of regulating the flow of the Amu Darya and the Syr Darya was to provide a reliable water supply for agriculture during the irrigation season (April - September). In total, 60 reservoirs with a total storage volume of 64.5 km<sup>3</sup> are found in the Aral Sea basin. The Syr Darya runoff is almost completely regulated and the flow of Amu Darya is regulated to about 80 percent.

The generation of electricity at the hydropower stations of the main dams upstream (the Toktogul Dam on the Naryn, the major tributary of the Syr Darya in the Kyrgyz Soviet Republic, and the Nurek Dam on the Vaksh, one of the two major tributaries of the Amu Darya, in the Tajik Soviet Republic) played a secondary role. The electricity was generated mostly during the irrigation season, when large volumes of water were released. The bulk of the generated electricity was supplied to an electricity grid connecting Central Asia and other regions of the Soviet Union.

The Amu Darya is not as regulated as the Syr Darya, but the construction of the Rogun Dam on the Vaksh, designed in the 1960s to be the highest in the world and with a large water reservoir, would allow providing a multi-year runoff regulation of this river. However, the construction of the Rogun project was not completed during Soviet times (see below).

Water resources of the Amu Darya and the Syr Darya were allocated between many irrigation projects, some of which extended over the administrative territories of several Soviet republics, according to the quotas established by the USSR Ministry of Water Management and Land Reclamation (USSR Minvodkhoz) and the USSR State Planning Committee (USSR Gosplan) in consultation with the five republics. In 1986, basin water management organizations (BVOs) were set up for the Amu Darya and the Syr Darya basins. The BVOs were in charge of allocation of water resources in accordance with the water release schedules agreed by the republics and approved by USSR Minvodkhoz. The allocation schedules were adjusted twice a year to reflect the projected availability of water in both river basins over the next six months.



At the same time, the provision of energy supplies (electricity, coal, gas, oil) arranged for by the central government to the Kyrgyz and Tajik Soviet Republics made it possible to accumulate river flow in the reservoirs during autumn and winter and not use it for hydropower generation. Water allocation arrangements in Central Asia were thus based on two complementary components: (i) Water allocation quotas for each republic and every irrigation project established and strictly controlled by the USSR Government, and (ii) planned deliveries of energy to the Kyrgyz and Tajik Soviet Republics for use in the winter.

The geopolitical situation in Central Asia changed in 1991 when the USSR collapsed and former Soviet republics proclaimed their sovereignty. As a result, the basins of the Amu Darya and Syr Darya were divided between the respective co-basin countries, and previously national rivers became transboundary.

A few months after declaring their sovereignty, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan entered into their first regional agreement. The "Agreement on Cooperation in Joint Management, Use and Protection of Interstate Sources of Water Resources" was signed in February 1992. The 1992 Agreement confirmed the status quo of the Soviet water allocation arrangements between the countries until new modalities for water cooperation could be agreed upon. The Interstate Commission for Water Coordination (ICWC) was established to implement the Agreement and has since been a stabilizing factor and focal point in the water allocation discussions on the Amu Darya and Syr Darya.

The 1992 Agreement, however, did not stipulate the provision of the energy supplies to Kyrgyzstan and Tajikistan for their use over the winter, when the energy needs there are highest. Therefore those countries could not afford to accumulate the winter flow in the dam reservoirs. This, namely, is the principal source of the current water problems in Central Asia. As Kyrgyzstan and Tajikistan have lost the previously delivered winter supplies of energy, they started to rely on their only readily available source of energy: hydropower. In order to generate electricity at their hydropower stations, they are releasing large amounts of the water from their reservoirs during the winter.

The water released in the winter cannot be used productively by the downstream countries and may cause negative effects. Winter flooding is a regular threat in the lower reaches of the Syr Darya in Kazakhstan, where there is a population of around 400,000 and some 10,000 ha of agricultural land at risk. Flooding is also common in the Arnasai lowland in Uzbekistan as the result of spillover from the Chardarya Reservoir, located on the border between Kazakhstan and Uzbekistan. The water stored in the Arnasai depression becomes saline and cannot be used further for any purpose.

As a result of winter water releases, much less water is available for the irrigation season, thus jeopardizing water supply to the population and irrigated agriculture. The shortage of water in the spring-summer season has led to reduced acreages of irrigated land in the downstream countries, and a negative impact on their economy. In this situation, the 1992 Agreement becomes less relevant.

The water situation in Central Asia is unique, determined in particular by the fact that the main river basins were previously used and developed as national within a single state (USSR) but are presently transboundary and shared by independent nations. In this situation, it is not easy to provide a straightforward answer as regards the determination and interpretation of the rights and obligations of upstream and downstream countries. International water law is based on numerous instruments, bilateral as well as multilateral, the most important of which include the non-binding “Helsinki Rules”<sup>1</sup>, the UNECE Convention on the Protection and Use of Transboundary Watercourses and International Lakes, in force since 1996, and the global United Nations Convention on the Law of the Non-Navigational Uses of International Watercourses, not in force. International water law does provide a general legal framework for transboundary water cooperation, based on the two principal but somewhat conflicting norms: equitable and reasonable utilization of transboundary water resources and the obligation of one State not to cause significant harm to another State through its use of shared water resources. It also requires that cooperation between watercourse States, with a view of attaining optimal and sustainable utilization of the shared resources, should involve consultations between the countries concerned. But if consultations do not result in an agreement, a State can in exceptional cases undertake an action without the explicit consent of its co-basin States. Should significant harm arise, various means of peaceful dispute settlement and possible compensation should be considered.

### **The Current Situation**

An attempt to introduce similar principles to the Soviet-era arrangements for supplying Kyrgyzstan and Tajikistan with energy over the winter season was made for the Syr Darya basin with an Agreement from 1998. This energy-water agreement was signed by the four countries (Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan) sharing the Syr Darya. The Agreement was a framework for yearly negotiations and

---

<sup>1</sup> International Law Association, *The Helsinki Rules on the Uses of the Waters of International Rivers*, Adopted by the International Law Association at the fifty-second conference, held at Helsinki in August 1966. Report of the Committee on the Uses of the Waters of International Rivers, (London: 1967).

signing of protocols where the downstream countries (Kazakhstan and Uzbekistan) pay for electricity produced in the Toktogul Dam during the irrigation season and the upstream countries (in particular, Kyrgyzstan) use this income to pay for energy deliveries from Kazakhstan and Uzbekistan in the wintertime. The 1998 Agreement was reasonably effective between 1998 and 2002, but is currently not in force. It has been replaced by ad-hoc annual bilateral or multi-lateral agreements. For example, in 2004-2006 energy-water agreements were only concluded between Kyrgyzstan and Kazakhstan.

One issue of concern in the negotiations under the 1998 Agreement has been the electricity prices that the downstream countries have to pay. As the water-energy exchange is seen as a means for energy supply by in particular Kyrgyzstan, this country has wanted to raise prices of electricity to cover for the increasing world-market prices of hydrocarbons.

In Central Asia, water-sharing problems became more acute in 2008, as this year was a hydrologically dry year preceded by an extraordinary severe winter. Kyrgyzstan and Tajikistan released extra-large water quantities from their reservoirs to generate electricity to meet the needs of their populations.

The water situation in the Syr Darya is at present very difficult. A few years in the beginning of this century were humid, which saved the water resources in the reservoir from total depletion. But now, due to the low level of water in the Toktogul Reservoir, there are serious shortages of irrigation water downstream during the vegetation season. The reservoir water level in April 2008 was the lowest since 1987, leaving minor reserves above the “dead reservoir volume”. In the beginning of August 2008 the water volume in the reservoir was 9.4 km<sup>3</sup>, 4.1 km<sup>3</sup> less than a year earlier and 7.3 km<sup>3</sup> less than two years earlier.<sup>2</sup>

In these circumstances, Kazakhstan and Kyrgyzstan agreed on some energy-water deliveries for the irrigation season in spring 2008. However, the water released from Kyrgyzstan did not at first reach Kazakhstan as it was used up while passing through Uzbekistan. During autumn 2008, negotiations at a high political level are on-going between the Syr Darya co-riparian states. They have culminated in a meeting of Central Asian Heads of State in Bishkek that took place 10 October 2008 where a tentative solution was agreed upon for the upcoming winter. This solution involves guaranteed extra-energy deliveries from downstream countries during the winter in exchange for sufficient water releases upstream over the irrigation season.

---

<sup>2</sup> CAREWIB 2008, Central Asian Regional Water Information Base, Scientific Information Centre of ICWC, Tashkent, website: <[www.cawater-info.net](http://www.cawater-info.net)> (October 5 2008).

The severity of the situation is reflected by the fact that the Kyrgyz Government has passed a decree on energy-saving measures for autumn and winter of 2008-2009. Kyrgyzstan is reducing the electricity production of the Toktogul hydropower station, black-outs of electricity lasting up to 8 hours per day have been frequent throughout the summer and autumn of 2008 in the capital of Bishkek as well as in other parts of the country. The objective is to accumulate water in the Toktogul Reservoir and release it later over the winter 2008-2009. Now, however, if Kyrgyzstan receives the energy supplies as agreed upon at the 10 October 2008 meeting, the water accumulated at the Toktogul reservoir could be spared for spring releases.

As a sovereign country, Tajikistan has placed development of hydropower in the Amu Darya basin high on its national agenda. This objective has become even more important with the cold winter of 2007-2008, which brought critical energy and electricity shortages. The Sangtuda I and II hydropower stations on the Vakhsh, are being constructed with the support of Russian and Iranian capital. China recently agreed to fund a hydropower station Nurobad 2 near the confluence of the Surkhob and Khingob Rivers (International Herald Tribune, 2008). The major Rogun Dam on the Vaksh, however, is still without proper financing. To secure the necessary financing, political support from the downstream countries (Turkmenistan and Uzbekistan) is essential.

The Rogun project, to consist of a huge dam, a large hydropower plant and an enormous water reservoir, was designed as a key project to regulate the hydrological regime of the Amu Darya. The project was developed to guarantee a sufficient water supply in water-deficient years for the population and agriculture in the lower reaches of the Amu Darya in Uzbekistan and to secure the inflow to the Karakum Canal, which stretches from its intake on the Amu Darya through Turkmenistan's deserts for over 1000 km towards the Caspian Sea. Hydropower generation was also a significant objective of the project of the original Soviet project.

The construction of the project, with the financing from the USSR central budget, started in the 1970s, but was interrupted by the disintegration of the Soviet Union. The project was further neglected during the seven-year civil war in Tajikistan, and much of the dam was swept away by floods. Now Tajikistan is making substantial efforts to mobilize the funds, estimated at more than US\$3 billion, that are required for the completion of the Rogun project. Rogun would generate as much as 80 percent of Tajikistan's average electricity consumption and give

opportunities for electricity export to Afghanistan and Pakistan if power grids were extended.<sup>3</sup>

The international financial institutions, including the World Bank and aid agencies, have so far stayed away from investing into the project, one reason being the objections of downstream Uzbekistan. However, the World Bank recently agreed to allocate some funding to support the Tajik government in making a techno-economic feasibility study and an environmental and social assessment of the Rogun project,<sup>4</sup> and then to investigate the possibility of setting up an international financial consortium for the project. There is also interest from other investors, including from the Russian Federation and Kazakhstan.<sup>5</sup>

Uzbekistan's concern is that much of the stored water would be released from the Rogun Reservoir during winter for electricity generation, and as a consequence, the summer flow would be reduced with negative effects on the population, agriculture and environment in the lower Amu Darya.

While the Rogun Dam could be of value also for irrigation in downstream areas,<sup>6</sup> playing a similar role to the Toktogul Dam on the Syr Darya, the Dam would certainly increase the dependence of the two downstream countries on Tajikistan. This is the reason why Uzbekistan is actively acting to stop the Tajik plans. Uzbekistan recently ratified, rapidly and unexpectedly, the two international conventions on transboundary waters (the UNECE Convention on the Protection and Use of Transboundary Watercourses and International Lakes and the United Nations Convention on the Law of the Non-Navigational Uses of International Watercourses, mentioned above). The reactions of Tajikistan to the Uzbek positions have been negative and bilateral relations have deteriorated.

A key issue requiring more attention in Central Asia is that of energy and water use efficiency. Access to energy is at the root of the problems facing Kyrgyzstan and Tajikistan. The electricity grid of Kyrgyzstan has high levels of energy loss – total technical and economic loss is 35 percent. Investments in energy-saving technologies and rehabilitation of energy infrastructure as well as improved energy policies would directly save water. Some steps are taken: electricity tariffs are being risen

---

<sup>3</sup> "Tajikistan floats its hope on water," *International Herald Tribune*, September 1 2008.

<sup>4</sup> Devex, 2007, <<http://www.devex.com/projects/energy-loss-reduction-project-in-tajikistan-3#comment#comment>> (October 15 2008).

<sup>5</sup> Tajikistan Online, 2008, <<http://www.tajikistan.tajnet.com/?id=1293>> (October 15 2008).

<sup>6</sup> V.A. Dukhovny and A.G.Sorokin, 2007, "Otsenka vliyania Rogunskogo vodokhranilishcha na vodnyi rezhim Amudaryi," SIC-ICWC, Tashkent, available at: <[http://www.cawater-info.net/library/rus/rogun\\_at\\_amudarya\\_rus.pdf](http://www.cawater-info.net/library/rus/rogun_at_amudarya_rus.pdf)> (October 15 2008).

significantly, about 20 percent yearly in the five years starting from 2008.<sup>7</sup>

Water use efficiency in irrigation is low especially in the lower reaches of Amu Darya and the Syr Darya, where some of the largest irrigation areas in the world are located. In a number of irrigation systems, about half of the water is lost on the way between the source and the farm intake, and on-farm losses are also high. The average for Central Asia has been estimated at 48 percent in conveyance and operational losses, although some of this is recouped through groundwater irrigation.<sup>8</sup>

A more efficient use of energy and water resources could reduce the demand for water and make more water available to be released into the Aral Sea.

## Perspectives

Kyrgyzstan and Tajikistan are in a critical situation with regard to their winter energy supply. There are scenarios for developing new energy sources but neither alternative energy (solar, wind, mini hydropower) nor nuclear energy are feasible solutions in the shorter or medium term. Continued use of existing hydropower and development of new hydropower stations in the upper reaches of the Amu Darya and Syr Darya are likely to be the priority alternatives for the upstream countries with or without the consent of co-basin countries.

There are several hydropower projects in both countries in addition to Rogun and others accounted for above. The Kambarata 1 and 2 projects (not funded) on the Syr Darya in Kyrgyzstan have the advantage that their construction upstream of the Toktogul Dam would make it possible to generate hydropower but still accumulate water for irrigation purposes.

Joint investment in and joint management of any new dam and reservoir by co-riparian countries is perhaps a tall order in the present strained situation, but this would be a commendable approach. The Rogun Reservoir is the obvious example where optimized water releases could supply irrigation water as well as produce needed electricity.

There is a further opportunity for the downstream countries to build water reservoirs to accumulate the winter water releases to use these quantities later for irrigation. Decisions have been taken to build at least four reservoirs in Uzbekistan, including the Rezekasai and Kenkulsai in the Fergana valley. In Kazakhstan, a decision has been taken to build the Koksarai Reservoir for winter flood protection on the Syr Darya.

---

<sup>7</sup> Ministry of Industry, Energy and Energy Resources, 2008, <<http://www.mpe.gov.kg/ru/>> (October 1 2008).

<sup>8</sup> The World Bank, *Irrigation in Central Asia Social, Economic and Environmental Considerations*, February 2003.

However, it is difficult and expensive to build reservoirs in the lowlands of the region.

Another option is to apply a non-structural solution to generate additional income to allow Kyrgyzstan and Tajikistan to purchase energy from the neighboring countries or from the world market. There are different models, such as:

(i) Purchase by the downstream countries of the electricity generated over the irrigation season in line with the 1998 Agreement and ad-hoc bilateral agreements.

(ii) Payments by the downstream countries to the upstream countries for storing water in the reservoirs of the latter over the winter and its scheduled release during the irrigation season.

Non-structural solutions should not be renegotiated annually, but established as long-term, multi-annual solutions. USAID<sup>9</sup> as well as the World Bank<sup>10</sup> have developed models to optimize water releases in the Syr Darya basin that could be used as a basis for negotiations.

### **Facilitation of Water-energy Cooperation**

There are several organizations involved in the development of water cooperation in the region.

The International Fund for the Saving of the Aral Sea (IFAS) founded by the Central Asian Presidents, is the only cooperative structure that includes all five countries. It is a well-established structure with branches in each member country, and enjoys the political support at the highest level as the President of each member country serves in turn as Chairman of the body. IFAS provides all its officials with diplomatic privileges and its funding comes from the national budgets of the participating countries. The member countries have pledged to allocate a proportion of their respective GDP to IFAS. Although the Presidents of Central Asia are representing their respective countries in IFAS, the organization has not been an efficient structure for cooperation. In addition to the difficult political relations in the region, the contributions of member countries are mostly used for national projects. The IFAS branches in Kazakhstan and Uzbekistan are very active in utilizing their respective contributions to IFAS for developing projects under the IFAS programme, but there are only a few really

---

<sup>9</sup> USAID, Central Asia Natural Resources Management Program, Transboundary Water and Energy Project, Final Report 2005, <[http://centralasia.usaid.gov/datafiles/\\_upload/TWEP\\_Final\\_Report\\_19Oct05.pdf](http://centralasia.usaid.gov/datafiles/_upload/TWEP_Final_Report_19Oct05.pdf)> (October 15 2008).

<sup>10</sup> World Bank, Water and Energy Nexus in Central Asia. Improving Regional Cooperation in the Syr Darya Basin, 2004 <[http://siteresources.worldbank.org/INTUZBEKISTAN/Resources/Water\\_Energy\\_Nexus\\_final.pdf](http://siteresources.worldbank.org/INTUZBEKISTAN/Resources/Water_Energy_Nexus_final.pdf)> (October 15 2008).

regional projects. There may be a window of opportunity for IFAS to play a more significant role, as Kazakhstan has assumed the IFAS chairmanship and taken over the secretariat for its Executive Committee in October 2008.

The International Commission for Water Coordination (ICWC), formally under IFAS, is an important structure for the resolution of operational water distribution issues on the Amu Darya and Syr Darya under the 1992 Agreement. Only water authorities are represented in ICWC, making it difficult to apply an intersectoral approach for cooperation involving, in addition to irrigation, energy and protection of ecosystems. This is also a hindrance to implementing its principal task – enforcing the implementation of water allocation in compliance with the 1992 Agreement and preparing new rules and procedures for sharing the waters of the transboundary rivers in Central Asia.

The ICWC Scientific and Information Centre (SIC), as well as the offices of the two Basin Water Management Organizations (for the Syr Darya and the Amu Darya) are all located in Uzbekistan and mainly staffed by Uzbek citizens. This has contributed to the view of some other Central Asian countries that this system for cooperation is biased in favor of the host country.

The Eurasian Economic Community (EurAsEC), is a relative newcomer in the field of water relations in Central Asia, but after Uzbekistan<sup>11</sup> joined the organization, some efforts have been made to develop a so called water-energy consortium in the region. The EurAsEC efforts are so far unsuccessful.

International organizations and donors, the World Bank, Asian Development Bank, the United Nations, the European Union and several bilateral donors are active in the region. A number of interesting projects are funded that bring the countries together to solve problems related to water cooperation.

In 2004, experts from Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan produced a regional water and energy strategy<sup>12</sup> within the framework of the United Nations SPECA<sup>13</sup> working group on energy and water resources. The strategy was one of the first documents to clearly make links between water and energy issues and to make an attempt to balance upstream and downstream interests. Due to unresolved political issues and the lack of finances, only restricted components of this

---

<sup>11</sup> Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan are members of EurAsEC but not Turkmenistan.

<sup>12</sup> UNECE, UNESCAP, 2004, Strengthening cooperation for rational and efficient use of water and energy resources in Central Asia. Special Programme for the Economies of Central Asia (SPECA). United Nations Economic Commission for Europe, Geneva, ISBN 92-1-101070-5. Also available online at:

<[http://www.unece.org/speca/energy/energ\\_he.htm](http://www.unece.org/speca/energy/energ_he.htm)> (October 15 2008).

<sup>13</sup> The United Nations Special Programme for the Economies of Central Asia.



strategy are so far being implemented in the SPECA programme of work on water and energy.

When it comes to the major problems on the Amu Darya and Syr Darya, the influence of international projects and organizations has been minimal. The international organizations have not been able to be very influential as brokers at the political level.

One untested option proposed by the Presidents in the region<sup>14</sup> (Dushanbe 2002) is to establish a commission under the United Nations to solve the Aral Sea basin problems. So far, this option has not been investigated thoroughly, but there are some arguments in favor. A reformed structure may also be able to coordinate donor activities better. At present, donor coordination is weak, which contributes to a modest impact of international projects.

At the same time, there are examples of good cooperation on the use of transboundary water resources in Central Asia. In 2000, an agreement was signed between Kazakhstan and Kyrgyzstan on the use, repair and maintenance of dams and other water infrastructure used by both countries on the Chu and Talas rivers. According to this agreement, Kazakhstan has taken on the obligation to co-fund repair and maintenance of a number of canals, dams and water reservoirs owned by Kyrgyzstan but that are part of the common water distribution system serving both countries. This agreement has been successfully implemented (see [www.talachu.org](http://www.talachu.org)). The Chu Talas Water Management Commission set up by the two countries with assistance from the United Nations Economic Commission for Europe (UNECE) and the Organization for Security and Co-operation in Europe (OSCE) is based on two crucial principles: (i) the countries have agreed to follow inter-country water allocation schemes and schedules applied in the Soviet era; and (ii) the downstream country, i.e. Kazakhstan, must reimburse the upstream country (i.e. Kyrgyzstan), for a part of its maintenance and operation costs of water infrastructure proportional to the volume of the water delivered by that infrastructure. This experience is applicable also in other transboundary river basins of Central Asia.

## Conclusions

The Aral Sea cannot be revived, but a more sustainable use of water for drinking and irrigation, to generate energy as well as to better support water ecosystems can be achieved by improving water management even in a perspective of a possibly decreasing access to water due to climate change. To achieve this, improved cooperation and trust between the countries of the region is essential. The water and energy conflicts in the

---

<sup>14</sup> Dushanbe 2002, Dushanbe declaration of Central Asian Presidents. Available at <[http://www.cawater-info.net/library/eng/dushanbe\\_declaration.pdf](http://www.cawater-info.net/library/eng/dushanbe_declaration.pdf)> (October 15 2008).

region cannot be resolved without a willingness from all sides to review their respective positions.

Water and energy issues are tightly interconnected in Central Asia. The shortage of alternative energy supplies over the winter in the upstream countries leads to excessive use of water for hydropower. As a result there is a shortage of water over the irrigation period in the downstream countries. Only when the upstream countries have enough energy supplies to at least partly substitute their hydropower generation over the winter season, this vicious circle is likely to be broken.

The hydrocarbon resources downstream are, at least in theory, a positive factor, as there are some resources available for investment to improve efficiency of water use and to diversify the economy, as well as to use for exports on favorable terms to upstream countries.

The international community can and should contribute to a positive development in the region. Three different important roles can be distinguished:

1. *Contributions to capacity-building and the development of policies, as well as pilot projects demonstrating different solutions, e.g. for energy and water saving.* A number of donors and international agencies are involved in such work, mainly funded by development agencies.
2. *Facilitation of dialogue and negotiations between the Central Asian countries.* When it comes to direct high-level negotiations, to the authors' knowledge, there has been no example of direct involvement from the outside. The establishment of a UN-affiliated commission in Central Asia is one option that could make this possible.
3. *Provision of commercial investments.* Development of hydropower is an important direction for investments where countries such as China, Iran and the Russian Federation are already playing an important role. Judging from discussions and high-level meetings in 2008, it is likely that the flows of investment for this purpose will increase. Downstream countries should be involved in consultations on the development of hydropower projects.

# Combating Money Laundering in Eurasia: Lessons from Kyrgyzstan and Georgia

*Christofer Berglund, Michael Jonsson, Christian Nils Larson & Elias Götz\**

## ABSTRACT

Anti-money laundering (AML) policies are instrumental both in combating organized crime and political corruption and in promoting financial transparency and economic growth. This article provides an overview of AML efforts in Eurasia, with a particular focus on Central Asia and the South Caucasus. De facto achievements in the fight against money laundering often lag behind legal frameworks and AML regulations are sometimes misused as political tools. Within their respective regions, Kyrgyzstan and Georgia stand out as the most successful countries. Kyrgyzstan has adopted AML regulations but has not taken many steps towards enforcing them. Individual banks, however, may implement AML regulations more quickly than national regulators to gain a competitive advantage. Following the Rose Revolution, Georgia adopted and began to actively enforce AML regulations. Tbilisi's AML progress is linked to political will stemming from a unique set of domestic and foreign policy considerations.

*Keywords* • Anti-Money Laundering (AML) • Kyrgyzstan • Georgia • political will • market incentives • selective implementation

## Introduction

The fight against money laundering, commonly defined as the processing of criminal proceeds to disguise their illegal origin<sup>1</sup>, is important if public goods like security and societal development are to be attained.<sup>2</sup> Anti-

---

\* Christofer Berglund is a Ph.D. Candidate at Uppsala University. Michael Jonsson is a Ph.D. Candidate at Uppsala University and Associate Researcher at the Institute for Security and Development Policy in Stockholm. Christian Nils Larson is an independent consultant on AML/CFT issues in the former Soviet Union. Elias Götz is a Ph.D. Candidate at Aarhus University. Research support was provided by Thimna Bunte

<sup>1</sup> Financial Action Task Force definition. Interpol adopted a similar definition in 1995: any act or attempted act to conceal or disguise the identity of illegally obtained proceeds so that they appear to have originated from legitimate sources.

<sup>2</sup> Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) issues are typically analyzed jointly, for good reason – both policy areas build on financial transparency to counter financial crimes, standards are set by the Financial Action Task Force, and so forth. However, these crimes are often addressed by different government agencies (law enforcement versus security services), carry distinct societal consequences

money laundering (AML) policies have significant potential to counter organized crime and political corruption by increasing the difficulty of enjoying illegal proceeds and by “opening a new front” against the perpetrators. AML regulations are important for the financial sector and for broad-based economic growth because they contribute to increased transparency and greater confidence among domestic and foreign investors.

Albania provides a worst-case scenario of what a general lack of financial regulations can cause. After a number of large scale pyramid schemes, which had benefited from political cover, collapsed in 1996-97, the country was thrust into economic and social chaos. In turn, the mayhem enabled the raiding of military caches and fuelled the war in Kosovo.<sup>3</sup> Sizable pyramid schemes also existed in Russia, Romania and to a lesser degree in Bulgaria, the Czech Republic and Slovakia. Although less dramatic, their consequences were nonetheless extensive.<sup>4</sup> In short, AML regulations can play an important role in encouraging security, suppressing short-term profiteering activities and furthering sustainable productive entrepreneurship.

AML regulations, however, by no means guarantee a positive impact. Government incumbents can misuse an AML regime’s potentially intrusive measures to target political opponents. Governments can also “adopt but not enforce” AML policies, using the perception of having a functioning AML regime in order to attract foreign capital. Such façades of AML regulation require greater awareness and action to ensure that laws are also being adequately implemented.

An AML regime’s effectiveness hinges upon two principal dimensions: whether rigorous AML tools are both adopted and implemented and how fairly and regularly they are used. In terms of rigorous laws and *de facto* implementation, the more the better. However, the use of AML regulations has at times been arbitrary, erratic or politicized. A truly effective AML regime must comprise both strong and judicious regulations against money laundering.

Legacies from this article’s target regions pose problems for the realization of adequate implementation along these two dimensions. The close ties between politics and economics in Central Asia and the Caucasus, alongside often murky privatization processes, have translated into trouble for the first dimension: the rigorous criminalization of money laundering and the implementation of AML regulations. Due to

---

and imply partially disparate policy implications. Hence, for the purposes of this article, the authors focus primarily on money laundering and efforts to counter it.

<sup>3</sup> Christopher Jarvis, “The Rise and Fall of the Pyramid Schemes in Albania,” *IMF Working Paper 99/98* (Washington: International Monetary Fund, 1999).

<sup>4</sup> Dirk J. Bezemer, “Post-Socialist Financial Fragility: The Case of Albania,” in *Cambridge Journal of Economics* 25, 1 (2001), pp 1-23, p 12.

the phenomena of “state capture”, i.e. the overtaking of the state apparatus by undue economic interests, public goods such as transparent financial systems have at times been compromised to serve the economic interests of an elite clique.<sup>5</sup> The regional symbiosis between state and government has furthermore translated into trouble with regard to the second dimension: the fair use of the tools AML regimes provide. Political players in many Eurasian countries have failed to draw a sufficiently firm line between their own private resources, their political party’s resources and the state’s resources. In this way, state machineries have occasionally been used to target political opponents or assist supporters.<sup>6</sup> These historic precedents, coupled with oftentimes chaotic transitions, have left a problematic legacy for the state apparatuses responsible for creating and enforcing financial transparency.

Due to the importance of adequately implementing AML regulations, as well as the considerable challenges across Eurasia, this article takes stock of recent developments in the field and investigates the hurdles that remain. First, the article will present a broad overview of the types of AML regimes present in Eurasia. The text will then turn to the Central Asian and South Caucasian regions and, more specifically, to Kyrgyzstan and Georgia. This paper will describe how Bishkek and Tbilisi have come the furthest in their respective regions and it will then assess some of the differing impetuses for and results of Kyrgyzstan and Georgia’s progress in the fight against money laundering. The paper moves beyond traditional AML regime evaluations by examining not only regulations on paper, but also the political context for AML adoption and implementation and the results, if any, of law enforcement efforts. The article concludes by discussing prospects and challenges for future improvements.

### **Eurasian AML Regimes: Indications of Inadequate Implementation**

Anti-money laundering and countering the financing of terrorism (AML/CFT) efforts have produced mixed results in Eurasia and globally since 2001.

On the one hand, a virtually unprecedented wave of regulation has swept through the international financial system. The Financial Action Task Force (FATF) has threatened to blacklist countries that had unsatisfactory AML/CFT regulations and the international community

---

<sup>5</sup> Cf. Rasma Karklins, *The System Made Me Do It: Corruption in Post-Communist Societies* (New York: M.E Sharpe, 2005).

<sup>6</sup> Cf. Michael Jonsson & Christian Nils Larson, “Selective Implementation of Anti-Money Laundering Regimes in Central Asia,” *Central Asia-Caucasus Analyst* 10, 2 (January 23 2008); Alexandra V Orlova, “Russia’s anti-money laundering regime – law enforcement tool or instrument of domestic control?,” *Journal of Money Laundering Control* 11, 3 (2008).

has offered technical assistance to cooperative countries.<sup>7</sup> Since 2001, more than 100 countries have passed laws against money laundering and terrorist financing.<sup>8</sup> *De facto* achievements, however, often lag behind legal frameworks. Many AML/CFT regimes have not been adequately implemented and there are indications that even in those jurisdictions with adequately implemented AML/CFT regimes, levels of money laundering are not decreasing.

Although there exists no reliable method to measure the amounts of money being laundered, those who attempt to gauge this phenomenon frequently say that the global levels of money laundering have probably increased over time.<sup>9</sup> Such a development would be consistent with the argument that increased trade flows have broadened opportunities for transnational crime; and with the argument that increased international financial flows have widened opportunities for money laundering in multiple jurisdictions.<sup>10</sup>

Signs that levels of money laundering are not directly linked to the quality of regulations can be seen among the Eurasian countries. The chart below cross-tabulates estimates for *de facto* money laundering from the annual International Narcotics Control Strategy Reports (INCSR), issued by the US State Department, against the authors' estimates of AML/CFT quality.

The INCSR estimate is borrowed from the US State Department. The AML/CFT variable, which has been created for this study, is based on AML/CFT peer evaluations carried out based on the Financial Actions Task Force 40+9 criteria.<sup>11</sup>

---

<sup>7</sup> At its apex, FATF's list of Non-Cooperative Countries and Territories (NCCT) contained 25 countries. By 2007, the last remaining countries were removed. Cf. Financial Action Task Force, "Annual Review of Non-Cooperative Countries and Territories 2006-2007: Eighth NCCT Review", <<http://www.fatf-gafi.org/dataoecd/14/11/39552632.pdf>> (October 16 2008).

<sup>8</sup> Anne L. Clunan, "The Fight Against Terrorist Financing", *Political Science Quarterly* 121, 4 (Winter 2006-2007), pp 569-596.

<sup>9</sup> The U.S. State Department INCSR for 2008 for example states, based on IMF estimates, that money laundering today may range somewhere between \$2.1 – 3.6 trillion, compared to \$300-500 billion ten years ago. At best, however, the figure represents an educated guess. See U.S. State Department International Narcotics Control Strategy Report, "Money Laundering and Financial Crimes", Bureau for International Narcotics and Law Enforcement Affairs, March 2008, <<http://www.state.gov/documents/organization/100918.pdf>> (October 16 2008).

<sup>10</sup> Cf. Moises Naim, *Illicit: How Smugglers, Traffickers and Copycats are Hijacking the Global Economy* (New York: Anchor Books, 2006).

<sup>11</sup> These criteria examine the core functions of the AML/CFT system; that is, (1) whether money laundering has been criminalized; (2) whether there is a functioning financial intelligence unit; (3) whether financial institutions provide an appropriate number of high-quality suspicious transaction reports; and whether there have been any (4) prosecutions and (5) convictions relating to the money laundering offence. The coding criteria can be obtained from the authors upon request.

If better AML/CFT regulations were associated with lesser money laundering problems, the countries in Table 1 would line up diagonally from the lower-left to the upper-right corner. The table shows, however, that Eurasian countries with better AML/CFT regimes are equally, if not more likely, to be considered “jurisdictions of primary money laundering concern” by the US State Department.

**Table 1.** Comparing AML/CFT evaluations and INCSR estimates.

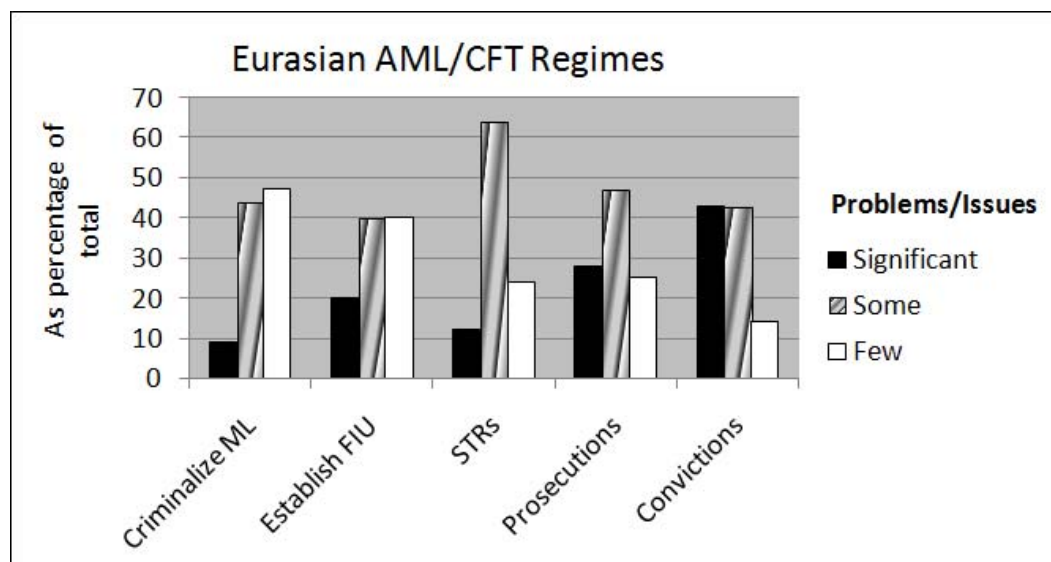
		INCSR estimates			
		No concern	Concern	Primary Concern	
AML/ CFT regime	Non-existent AML-regime	Armenia Azerbaijan Kazakhstan Macedonia  (44%)	Moldova Tajikistan Turkmenistan Uzbekistan  (44%)	Bosnia-Herzegovina  (11%)	n=9 100%
	Very basic AML-regime	Czech Republic Estonia Kyrgyzstan Lithuania  (31%)	Albania Belarus Bulgaria Hungary Serbia Slovakia Slovenia  (54%)	China Ukraine  (15%)	n=13 100%
	AML-regime fulfills minimum standards	Croatia Georgia  (33%)	Poland Romania  (33%)	Latvia Russia  (33%)	n=6 100%  N=28

Interpreting Table 1 requires some caution, however, as the INCSR’s estimates are not standardized and are sometimes politicized.<sup>13</sup> In addition, multiple interpretations could explain the discrepancy found in Table 1. It is possible that countries with better AML/CFT regulations have greater underlying money laundering problems. It is also possible that the implementation of AML/CFT regimes is incomplete or unfair. Although no universally-accepted measurement system exists, empirical

<sup>13</sup> It is for example interesting to note that Kazakhstan is not seen as a country of money laundering concern, despite not having criminalized money laundering, having no FIU and likely subject to its fair share of money laundering problems. Cf. Ron Stodghill, “Oil, Cash and Corruption”, New York Times, November 5 2006.

evidence indicates that concerns about the extent and judiciousness of AML implementation are valid.

**Figure 1.** Indications that Eurasian countries are adopting, but not implementing AML regimes.



The figure above disaggregates the different criteria used in this paper to assess the quality of AML/CFT regimes. The chart reveals that the quality of Eurasian AML/CFT regimes decreases as *de facto* implementation is considered. While fewer countries have had trouble criminalizing money laundering and establishing an FIU, the infrequency of prosecutions and convictions based on money laundering or financing terror underlines the need to identify and analyze the hurdles to full AML implementation in Eurasia.

### A Snapshot of Central Asia

The Central Asian region faces a number of challenges to the efficient and fair implementation of AML/CFT regulations. AML/CFT regimes in Central Asia are still in their infancy and organized crime, personalized systems of rule and large shadow economies are common.<sup>14</sup> These challenges are further compounded by underdeveloped banking sectors and a heavy reliance on informal fund transfer (IFT) systems.<sup>15</sup>

<sup>14</sup> Johan Engvall, "Multiple Political Equilibriums in the Former Soviet Union: Evidence from Georgia, Kyrgyzstan and Ukraine", paper presented at the annual meeting of the *Swedish Political Science Association* in Uppsala, September 26-27 2008.

<sup>15</sup> Bruce Zagaris, "Problems applying traditional anti-money laundering procedures to non-financial transactions, 'parallel banking systems' and Islamic financial systems", *Journal of Money Laundering Control*, 10, 2 (2007), pp. 157-169.



### *Laws and Regulations*

Most Central Asian countries lack the basic legal and institutional tools to counter informal and illicit money flows. Some level of criminalization of money laundering has existed for some time in Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan but many of the laws are inadequate or inconsistent. Kazakh bank secrecy laws make it a criminal liability to disclose suspicious data even to the relevant government authorities.<sup>16</sup> The lack of any AML/CFT law in Turkmenistan means that tracing and prosecuting financial crime is near impossible. More recently, a series of presidential decrees in Uzbekistan effectively suspended the nation's AML/CFT regime,<sup>17</sup> and banks and institutions have been prohibited from inquiring into the legality of the sources of funds in transactions executed by physical persons.<sup>18</sup>

The 2004 inauguration of the Eurasian Group (EAG), a FATF-style regional body, together with pro-active assistance from the IMF, the World Bank and the UNODC, has nonetheless provided impetus for AML/CFT improvements. Government financial investigative units (FIUs) tasked with gathering, analyzing and disseminating information based on suspicious transaction reports were created in Kyrgyzstan in 2005, Uzbekistan in 2006 and Tajikistan in 2007. FIUs are not yet in place in Kazakhstan and Turkmenistan and Uzbekistan's has effectively been suspended.

With both laws and FIUs either insufficient, suspended or recently established, few prosecutions and fewer convictions have taken place on charges of money laundering in Central Asia. Most of the region's governments have not yet begun concerted efforts to publish AML/CFT statistics, but press reports indicate that Uzbekistan has brought a total of 15 prosecutions, Kyrgyzstan three, Kazakhstan one and Tajikistan and Turkmenistan none.

### *Implementation and Political Will*

AML/CFT regulations in Central Asia have been selectively implemented to sideline perceived political opponents.<sup>19</sup>

---

<sup>16</sup> International Monetary Fund and the World Bank, "Republic of Kazakhstan: Financial System Stability Assessment - Update", IMF Country Report No. 04/268, p 33, August 2004, <<http://www.imf.org/external/pubs/ft/scr/2004/cro4268.pdf>> (October 16 2008).

<sup>17</sup> Financial Action Task Force, "Statement", January 28 2008, <<http://www.fatf-gafi.org/dataoecd/16/26/40181037.pdf>> (October 16 2008).

<sup>18</sup> International Money Laundering Information Network, "AML/CFT Newsletter for Central Asia", Issue 26, April 2008, <[http://www.imolin.org/pdf/imolin/AMLCFT%20Newsletter,%20Issue%2026%20-%20April%202008%20\(IMoLIN\).pdf](http://www.imolin.org/pdf/imolin/AMLCFT%20Newsletter,%20Issue%2026%20-%20April%202008%20(IMoLIN).pdf)> (October 16 2008)

<sup>19</sup> Jonsson & Larson, "Selective Implementation of Anti-Money Laundering Regimes in Central Asia", pp 5-7.

One of the first convictions on charges of money laundering in Uzbekistan was of opposition leader Sanjar Umarov.<sup>20</sup> He was sentenced to 15 years in prison in March 2006, less than a year after Umarov openly criticized the Uzbek government and rumors circulated that he might one day seek to succeed President Karimov.<sup>21</sup> A number of human rights activists including Mutabar Tojiboeva and Nodira Hidoyatova have also been convicted of economic crimes in Uzbekistan.

In Kazakhstan, President Nazarbayev's former son-in-law, Rakhat Aliyev, is facing similar charges. While serving as Kazakhstan's ambassador to Austria, Aliyev fell out of political favor with Nazarbayev when he criticized changes to the Kazakh constitution. In May 2007, Aliyev was charged with money laundering and the abduction of two bank officials.<sup>22</sup>

Aliyev's case echoes that of Kazakhstan's former Prime Minister, Akezhan Kazhegeldin, who was convicted and sentenced *in absentia* to ten years imprisonment for embezzlement, bribery and tax evasion in 2001. Referring to the Kazhegeldin case, a U.S. State Department examination concluded that the accusations, "while possibly grounded in facts, appeared to be politically motivated."<sup>23</sup> Ironically, when the government of Kazakhstan asked Swiss officials look into Kazhegeldin's foreign bank accounts, Geneva widened its investigation and wound up freezing an account believed to belong to a senior government representative.<sup>24</sup>

The high number of opposition figures facing trial in Central Asia, taken together with the fact that virtually no one else has been convicted of such crimes in the region, suggests that governments may be using AML/CFT laws as new tools for an old task.

### **Kyrgyzstan: Central Asia's AML darling**

In Central Asia, Kyrgyzstan has made the most progress in the fight against money laundering and terrorist financing. The country has criminalized money laundering and created some of the basic institutions of an AML/CFT regime. Although Western governments and international organizations have lavished attention on the tiny republic's AML efforts, *de facto* implementation, however, has yet to occur. It

---

<sup>20</sup> Ian MacWilliam, "Uzbekistan jails opposition chief", BBC, March 6 2006.

<sup>21</sup> Gulnoza Saidzimova, "Uzbekistan: Sanjar Umarov – An Oligarch Angling for the Presidency?", Radio Free Europe/Radio Liberty, June 2 2005.

<sup>22</sup> C.J. Chivers, "Former Son-in-Law of Kazakh Leader Says He Was Framed", New York Times, July 6 2007.

<sup>23</sup> Stodghill, "Oil, Cash and Corruption", November 5 2006.

<sup>24</sup> Steve Levine & John Tagliabue, "Swiss Freeze Bank Account Linked to Kazakh President", New York Times, October 16 1999.

appears that Kyrgyzstan has coped with diverging interests by adopting but not enforcing AML regulations.<sup>25</sup>

*State Weakness and State Capture:*

Small and mountainous, Kyrgyzstan is home to a diverse societal fabric and is the most politically free country in Central Asia. The country's struggle against money laundering, however, has been hindered by its weak state apparatus and vulnerability to state capture.<sup>26</sup>

Kyrgyzstan plays host to a prevalent, although loose symbiosis of political, economic and, to some degree, criminal interests. Through ethnic, family or so-called 'clan' link, many Kyrgyz politicians have connections to representatives of the country's robust underground economy.<sup>27</sup> According to scholar Erica Marat "the state and crime are two interactive domains, where both may compete or find common interests for co-operation".<sup>28</sup>

Kyrgyzstan is an important drug trafficking route. An estimated 15-20% of Afghan opiates, which comprise 90% of the world supply, pass through Kyrgyzstan en route to Russia and Europe, often on the Khorog-Osh-Bishkek highway.<sup>29</sup> The state confiscates very few of the narcotics smuggled through Kyrgyz territory and some have alleged that figures close to politicians have at times exercised informal control over the trade.<sup>30</sup>

The phenomenon of state-crime interaction can be illustrated by the famous case of Rysbek Akmatbayev, a reputed "Robin Hood" criminal leader from Issyk-Kul oblast. Rysbek's brother, Tynychbek, was an MP and chairman of Kyrgyzstan's parliamentary committee for law and order. The two brothers worked closely together to ensure each other's success in their various political and business ventures.<sup>31</sup> On October 20, 2005, Tynychbek was killed in a riot while visiting the Moldavanovka prison outside of Bishkek. Afterwards, Rysbek sought and won a parliamentary seat, enabling him to maintain his link with the political

---

<sup>25</sup> Cf. Clunan, "The Fight Against Terrorist Financing", pp. 569-596.

<sup>26</sup> Joel Hellman & Daniel Kaufmann, "State Capture in Transition," <[www.worldbank.org/wbi/governance/pdf/state\\_capture.ppt](http://www.worldbank.org/wbi/governance/pdf/state_capture.ppt)> (October 16 2008).

<sup>27</sup> Engvall, "Multiple Political Equilibriums in the Former Soviet Union: Evidence from Georgia, Kyrgyzstan and Ukraine", p 9ff.

<sup>28</sup> Erica Marat, "Criminal state of play – an examination of state-crime relations in post-Soviet Union Kyrgyzstan and Tajikistan", *Jane's Intelligence Review*, March 1 2007.

<sup>29</sup> Johan Engvall & Kairat Osmonaliev, "Uncertain Future for Kyrgyzstan's Drug Control Agency", *Central Asia-Caucasus Analyst* 8, 13 (June 28 2006); World Bank, "Afghanistan – Drug Industry and Counter-Narcotics Policy", November 28 2006, <<http://go.worldbank.org/ZTCWYL49Po>> (October 16 2008).

<sup>30</sup> *Ibid.*; Marat, "Criminal state of play – an examination of state-crime relations in post-Soviet Union Kyrgyzstan and Tajikistan", March 1 2007.

<sup>31</sup> Erica Marat, "Clans, Crime and Power in Kyrgyzstan", *Eurasia Daily Monitor*, November 23 2005.

sphere and bolstering his position against political opponents he accused of involvement in his brother's death. Rysbek was later shot dead in May 2006.<sup>32</sup>

Serious concerns have also been raised over corruption and clan favoritism in the allocation of public resources and the management of state owned monopolies.<sup>33</sup> The gold-mining company “Kyrgyzaltyn”, which in the early 1990s was controlled by the Sarygulov clan, provides one example. Few people believed that all the proceeds of Kyrgyzstan's gold made it into state coffers. One noteworthy case is the 1993 disappearance of 1.5 tons of gold.<sup>34</sup> Transparency International ranked Kyrgyzstan 166<sup>th</sup> out of 180 countries assess in the 2008 Corruption Perception Index.<sup>35</sup>

In short, competition extends to both the licit and illicit spheres of Kyrgyzstan's economy and those with political and business connections in both are more likely to enjoy success. Collusion between economic and political interests has endured under both President Askar Akaev (1990-2005) and President Kurmanbek Bakiev, who took office following the 2005 Tulip Revolution.<sup>36</sup> Weakness in the state apparatus and in the political will to create transparency continue to pose a challenge.<sup>37</sup> Internationally oriented bankers, however, have begun to provide a counterbalance.

---

<sup>32</sup> Marat, “Criminal state of play – an examination of state-crime relations in post-Soviet Union Kyrgyzstan and Tajikistan”, March 1 2007; Eurasianet, “Political Situation Remains Tenuous in Kyrgyzstan”, October 28 2005, <<http://www.eurasianet.org/departments/civilsociety/articles/eav102805.shtml>> (October 16 2008)

<sup>33</sup> Engvall, “Multiple Political Equilibriums in the Former Soviet Union: Evidence from Georgia, Kyrgyzstan and Ukraine”, p 11f; Kathleen Collins, *Clan Politics and Regime Transition in Central Asia: Its Impact on Regime Transformation* (Cambridge: Cambridge University Press, 2006), pp 241.

<sup>34</sup> Erica Marat, “The State-Crime Nexus in Central Asia: State Weakness, Organized Crime and Corruption in Kyrgyzstan and Tajikistan”, *Silk Road Paper*, pp. 75f, October 2006, CACI/Silk Road Studies, <<http://www.silkroadstudies.org/new/docs/Silkroadpapers/0610EMarat.pdf>> (October 16 2008).

<sup>35</sup> Transparency International, “2008 Corruption Perceptions Index”, <[http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2008](http://www.transparency.org/policy_research/surveys_indices/cpi/2008)> (October 16 2008).

<sup>36</sup> Erica Marat, “Criminalization of the Kyrgyz State Before and After the Tulip Revolution,” *China and Eurasia Forum Quarterly* 6, 2 (May 2008), pp. 15-22.

<sup>37</sup> For a similar argument relating to the Baltic region, see Klas Kärstrand & Michael Jonsson, “The Baltic Connection – Money Laundering in the Baltic Region,” *Jane's Intelligence Review*, September 1 2007.

*The Growth of a pro-Active Banking Sector:*

The Kyrgyz banking sector has developed significantly since independence and, as part of efforts to become “the Switzerland of Central Asia”, has become a pro-active force for AML regulations.

Kyrgyzstan's banking sector grew out of the Soviet monobank structure and followed a path reminiscent of many transitioning countries: the sector was privatized and liberalized, often with weak regulation, and many banks were subsequently liquidated due to massive debt and poor interest rate structuring.<sup>38</sup> Although the banking sector has grown in size since 2002, it continues to suffer from a lack of technical expertise, low deposit growth, low public confidence and general underdevelopment.<sup>39</sup>

Nonetheless, Kyrgyz bankers have made great strides to gain international acceptance. Of particular note is the Asia Universal Bank (AUB), which has emerged as one of the largest and most prestigious financial institutions in the Kyrgyz market. AUB has acquired international ratings, includes prominent Americans and Europeans as board members, and in many regards has led Kyrgyzstan's "push" for AML/CFT legislation.<sup>40</sup>

The 2005 creation of the Kyrgyzstan Banking Union, an association which now has 21 members, is also noteworthy.<sup>41</sup> The union provides a forum for member banks to harmonize practices and tackle shared problems. It has also lobbied for AML regulations and has recently begun carrying out AML/CFT compliance trainings. Anvar Abdraev, the President of the Kyrgyzstan Banking Union, noted that it is the banking sector's "legislative and regulatory base which attracts foreign investors."<sup>42</sup> While overall banking sector development pales in comparison to that of oil-rich Kazakhstan to the north, Kyrgyzstan now leads the region in terms of AML adoption and according to US Sources, Kyrgyzstan's foreign direct investment (FDI) increased from an estimated \$90 million in 2001 to an estimated \$210 million in 2005.<sup>43</sup>

---

<sup>38</sup> Lucy Ito, “Financial Sector Development and Agrarian Reform in Kyrgyzstan and Uzbekistan: An Overview and Recommendations for Research Themes and Methods”, World Council of Credit Unions (WOCCU), Tashkent, 1998.

<sup>39</sup> RIA Oreanda, “AUB - Sponsor of IV Bishkek International Banking Conference”, August 15 2007.

<sup>40</sup> RIA Oreanda, “AUB Receives Security Certificate from British Standards Institution”, December 25 2007; RIA Oreanda, “AUB's Shareholders Approved Former U.S. Senators as New Members of BoD”, July 2 2007.

<sup>41</sup> Kyrgyzstan Banking Union, “История” [”History”], October 11 2008, <[http://ub.in.kg/index.php?option=com\\_content&task=view&id=20&Itemid=45](http://ub.in.kg/index.php?option=com_content&task=view&id=20&Itemid=45)> (October 13 2008).

<sup>42</sup> “Banking Sector of Kyrgyz Republic” [http://www.aub.kg/en/about/kyrgyzstan/banking\\_system](http://www.aub.kg/en/about/kyrgyzstan/banking_system)

<sup>43</sup> US State Department, “Kyrgyz Republic - 2007 Investment Climate Statement”, <<http://www.state.gov/e/eeb/ifd/2007/80715.htm>> (October 16 2008).

Asia Universal Bank and Kyrgyzstan Banking Union illustrate how non-state actors can move ahead of the national regulatory curve by using international AML/CFT standards as a competitive advantage. Laws such as the Bank Secrecy Act and Patriot Act, which stipulate that US banks cannot make deals with banks lacking sufficient AML/CFT regulations, have turned transparency and trustworthiness into hard currency for banks seeking to reap the business benefits associated with the international financial system.<sup>44</sup> The intertwined nature of financial markets and the benefits of international integration underline the growing market incentives for AML/CFT compliance.

*The Evolution of Kyrgyzstan's AML Regime*

Kyrgyzstan has been a frontrunner for AML/CFT regulations in Central Asia. Money laundering has been criminalized and the basic institutions of an AML/CFT regime have been created, but prosecutions and convictions are so far non-existent.

Kyrgyzstan criminalized money laundering in 1999 and adopted a comprehensive AML/CFT law in 2007. A range of foreign national and international agencies have since invested in AML/CFT projects in Kyrgyzstan ranging from lobbying for legislation to training financial regulators in Know-Your-Customer (KYC) basics. Many of the region's AML conferences and trainings are held in Bishkek.

Bishkek broke new ground in 2005, when it created Central Asia's first financial investigative unit. Although much applauded, the FIU is poorly equipped with IT equipment and software and it has produced no significant results in terms of financial investigations, criminal cases, convictions or freezing, arresting or confiscating the proceeds of money laundering.<sup>45</sup> Mutual evaluation reports from the Eurasian Group have pinpointed a number of deficiencies in the AML/CFT regime, notably gaps in the due diligence and record-keeping of Kyrgyz banking institutions.<sup>46</sup> The registration process for legal entities is also problematic. In failing to verify the veracity of applications before approving them, Kyrgyzstan's registration process contributes to the creation of one-day front companies frequently used to launder dirty money.

Kyrgyzstan's AML/CFT regime is predominantly geared towards the banking sector. Several concerns have been raised about gaps in the system of preventative measures covering non-bank financial institutions

---

<sup>44</sup> Cheyenne Hopkins, "AML Fines Mount: Root Causes and Next Steps", *American Banker* 172, 186 (September 26 2007).

<sup>45</sup> Eurasian Group, "First Mutual Evaluation/Detailed Assessment Report on Anti-Money Laundering and Combating the Financing of Terrorism – Kyrgyz Republic", June 14 2007, <<http://www.eurasiangroup.org/eagkyrgyz.pdf>> (October 15 2008).

<sup>46</sup> *Ibid.*

and designated non-financial businesses and professions (DNFBPs). Non-bank financial institutions and DNFBPs are not in compliance with FATF recommendations and lack internal controls on issues such as record-keeping, employee training and appointing a compliance officer. Some DNFBP actors, such as real estate dealers, do not have any national oversight body through which AML/CFT measures could be implemented. As the real estate sector in other countries has often been vulnerable to money laundering, this lack of regulation may be problematic in the medium term.<sup>47</sup>

### Patterns and Lessons

The pattern of AML/CFT adoption and implementation in Central Asia is largely dependent on political will and the degree to which non-state actors are free to operate in each jurisdiction. Kyrgyzstan's proactive banking sector, reinforced by international assistance, has clearly been important for the country's progress in the fight against money laundering and terrorist financing. The result thus far, however, is an AML/CFT regime that focuses heavily on the banking sector, at the expense of non-bank financial regulations.

The Kyrgyz banking sector's "push" for improved AML/CFT legislation has largely been driven by its interest in gaining a competitive advantage over other banks in the region with little or no transparency. The perceived stability and transparency of internationally-oriented banks such as AUB have clearly impacted the national banking sector by inspiring confidence among legal entities and individual citizens both domestically and internationally. In 2005, the year Kyrgyzstan began to adopt significant AML measures, the Kyrgyz banking sector's deposit base increased by 54.7% and total loan volume increased by 29%.

The Kyrgyz AML/CFT regime is a recent creation and there are few indications of *de facto* AML implementation. The generally inadequate implementation of AML regulations may be due to continued links between powerful criminal and political elites who share vested interests in maintaining channels for opaque money flows. The Kyrgyz state's overall weakness combined with its high vulnerability to state capture pose significant hurdles to effective and fair AML implementation. Although it is too early to discern whether Kyrgyzstan is employing an "adopt but do not enforce" strategy or whether the country simply lacks resources and technical expertise, the litmus test for Kyrgyzstan's AML/CFT regime will be whether it produces a significant number of prosecutions and convictions, without signs of politicization.

---

<sup>47</sup> *Ibid.*

## A View of the South Caucasus

The South Caucasus faces a number of challenges to the efficient and fair implementation of AML regulations. The region is home to several breakaway provinces, weak states and organized crime groups. The volatile security environment is further complicated by a geopolitical split that divides through the region into eastern and western-looking camps. Georgia however has gone further in AML implementation than both Armenia and Azerbaijan.

### *Laws and Regulations:*

All the countries of the Southern Caucasus have adopted AML/CFT legislation since the international community stepped up pressure for such measures in 2001.

For years, both Armenia and Azerbaijan lacked the basic tools to counter money laundering. By 2003 neither country had an FIU or any general reporting requirements on suspicions of money laundering. Azerbaijan's central bank had received no suspicious transaction reports and Armenia's central bank had received only five.

By December 2004, Armenia had adopted a nominally comprehensive AML/CFT system, appointed its central bank as a coordinating body and introduced standard reporting requirements. By 2005, the country had established an FIU and entered into some level of cooperation with international counterparts. It had also extended parts of its AML/CTF system to regulate casinos and insurance companies, although the FIU's authority to directly inspect them remained unclear.<sup>48</sup>

During the same period, Azerbaijan began to adopt piecemeal laws amending its banking secrecy laws and tackling the phenomenon of "pocket banks"; that is, banks founded to serve the interests of a small clique of individuals. Efforts to draft comprehensive AML/CFT legislation were underway in 2005, but progressed slowly.<sup>49</sup> Amendments to the criminal code in 2006 improved the criminalization of corruption and money laundering, but failed to bring the AML/CFT framework up to international standards. As of June 2006, the country had no FIU and had reported no AML/CFT investigations or prosecutions.<sup>50</sup>

<sup>48</sup> Moneyval, "Report on Armenia on the Standards for Anti-Money Laundering and Countering Terrorist Financing", Council of Europe, Strasbourg, July 9 2004, <[http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round1-2/MONEYVAL\(2004\)23Summ-ARM1\\_en.pdf](http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round1-2/MONEYVAL(2004)23Summ-ARM1_en.pdf)> (October 16 2008).

<sup>49</sup> U.S. Department of State, "International Narcotics Control Strategy Report 2005", The Bureau for International Narcotics and Law Enforcement Affairs, Washington DC, pp 80-81, 90-91.

<sup>50</sup> Moneyval, "Second Round Evaluation Report on Azerbaijan," Council of Europe, Strasbourg, June 3 2004, <[http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round1-2/MONEYVAL\(2004\)24Summ-AZE1\\_en.pdf](http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round1-2/MONEYVAL(2004)24Summ-AZE1_en.pdf)> (October 16 2008).



In the early 2000s, Georgia's financial regulatory system had no provisions for identifying or defining money laundering. Consequently, there had been no investigations into money laundering and there was no financial intelligence unit. In 2004, however, an AML law was brought into effect and a FIU soon began to function.<sup>51</sup> Tangible results have followed.

*Implementation and Political Will:*

Since the Rose Revolution in 2003, Georgia has made strong and concerted efforts to combat money laundering and the financing of terrorism. Tbilisi has not only taken legal measures but also moved towards the efficient implementation of AML/CFT regulations.

Some AML prosecutions in the South Caucasus may have been politicized. One case in point is the arrest of Armenia's Alexander Arzumanyan, an opposition leader and former Minister of Foreign Affairs. Arzumanyan was arrested on May 7, 2007, five days before parliamentary elections. Armenian lawyer Vahe Grigoryan said that in this case justice had become "a tool for solving political problems".<sup>52</sup> Former Deputy Speaker of the National Assembly Karapet Rubinyan echoed Grigoryan's sentiment, calling the AML provision a new weapon of subjection and a method of settling political accounts.

Similar circumstances surround the prosecution of former Defense Minister Irakli Okruashvili in Georgia. By and large, however, Tbilisi stands out from its South Caucasian neighbors by virtue of its dramatic AML turn-around since 2003.

### **Georgia: the South Caucasian Convert**

Following Georgia's independence in 1991, the country lacked the resources, legislation and political will to effectively combat financial crime and money laundering. President Mikhail Saakashvili's rise to power in 2003, however, ushered in an era of change that has placed the country well ahead of its neighbors in terms of AML developments. Tbilisi has established an AML system that meets international standards, and it has taken decisive steps to implement the tools it has adopted. The possible politicization of money laundering charges may, however, somewhat undermine the Georgian AML regime.

---

<sup>51</sup> Moneyval, "Third Round Detailed Assessment Report on Georgia", Council of Europe, Strasbourg, June 12 2007, <[http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round3/MONEYVAL\(2006\)18Rep-GEO3\\_en.pdf](http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round3/MONEYVAL(2006)18Rep-GEO3_en.pdf)> (October 16 2008).

<sup>52</sup> Armtown.com, "Wrongful imprisonment: activists call for release of Arzumanyan", June 1 2007, <<http://www.armtown.com/news/en/anw/20070601/2233/>> (October 15 2008).

*Georgia During the Shevardnadze Era*

Georgia, like Kyrgyzstan, emerged from the USSR a small, mountainous territory comprising several ethnic groups. The chaos of Georgia's transition left the country with an array of problems, which both fuelled organized crime and hindered the state's ability to deal with them.

While Georgian nationalism was instrumental in the pursuit of independence from the USSR, the movement alienated many of the country's minorities and stirred up two wars over the breakaway provinces of Abkhazia and South Ossetia. From the beginning, these conflicts were characterized by intense Russian involvement and laid the groundwork for tense Russo-Georgian relations and the weakening of the Georgian state. The proliferation of paramilitary groups, coupled with the fact that a considerable portion of the country's territory remains outside government reach, provided fertile ground for organized crime activities such as kidnapping, extortion, racketeering and international trafficking.<sup>53</sup>

Shevardnadze's Georgia was also characterized by disarray in the banking sector, which had been quickly privatized. Bank were created for every conceivable purpose and a number of questionable business figures managed to take over entire banks, which became ideal vehicles for hiding and laundering the proceeds of privatization deals or outright criminal activity. Legal requirements and oversight duties in the newly created financial markets were rudimentary at best and often non-existent.<sup>54</sup>

These circumstances undermined the integrity of the state apparatus by increasing corruption in the police force and fuelling the development of a political-business nexus.<sup>55</sup> As one analyst put forth: “[b]usinesses could hardly survive without having political ties”.<sup>56</sup>

*Georgia following the Rose Revolution*

The rise of the Saakashvili administration in many ways represented a critical juncture for Georgia. The new government endeavored to stimulate economic development, tackle corruption, push back against organized crime, strengthen the state, and seek closer ties and even

---

<sup>53</sup> Svante E. Cornell et al., *A Strategic Conflict Analysis of the South Caucasus – With A Focus on Georgia*, (Stockholm: CACI/Silk Road Studies, June 2005), pp. 16-18; Mark Galeotti, “Republic of Crime: Separatist regions and smuggling in Georgia”, *Jane's Intelligence Review*, May 2007, pp. 48-51.

<sup>54</sup> Nino Gogatadze, *General Analysis of Georgian Banks, Their Internal Activities and Machinations*, (Tbilisi: Transnational Crime and Corruption Center), pp 1-2.

<sup>55</sup> For details, see Svante Cornell, “The Threat of Transnational Organized Crime in the South Caucasus,” in Dov Lynch (ed.), *The South Caucasus: A Challenge for the EU* (Paris: EU Institute of Security Studies, 2003), pp. 23-40.

<sup>56</sup> Engvall, “Multiple Political Equilibriums in the Former Soviet Union: Evidence from Georgia, Kyrgyzstan and Ukraine”, p 12.

integration with the West. The fight against money laundering became part and parcel of this enterprise.

The country has achieved considerable progress. Tax collection has improved dramatically, in part due to a simplified system and the reintegration of the Adjara region; public debt has been reduced; the police force and customs service have been reformed and a number of high-ranking officials and prominent businessmen have been prosecuted on corruption charges.<sup>57</sup> Between 2005 and 2006 Georgia made the largest ever leap in the World Bank's "Ease of Doing Business" ranking, soaring from 112<sup>th</sup> to 37<sup>th</sup> place out of the 175 economies studied.<sup>58</sup> In the 2009 rankings, Georgia comes in 15th, placing Tbilisi ahead of all other CIS countries. Tbilisi's progress has also been reflected in Transparency International's Corruption Perceptions Index, where Georgia jumped from 133<sup>rd</sup> place in 2004 to 67<sup>th</sup> place in 2008.<sup>59</sup>

These reforms have led to impressive economic growth. Georgia's GDP growth rate in 2006 was 9.5 percent and it continued to grow at an annualized rate of 12-13 percent during the first quarter of 2007. Tighter regulation of the banking sector has resulted in the liquidation of many banks' licenses.<sup>60</sup> International financial institutions have contributed to this process, which has decreased the number of banks in Georgia from a staggering 229 commercial banks in 1994 to a more stable and manageable 20.<sup>61</sup>

Problems remain, of course. The shadow economy continues to be sizeable and high-level corruption may still be occurring.<sup>62</sup> The increased

---

<sup>57</sup> Dov Lynch, "Why Georgia matters" Institute for Security Studies, Paris, Chaillot Paper 86, p28, <<http://www.weltpolitik.net/attachment/0644a930ba1074b5cca2acd4809cbed5/03d42c74909d1dbdfce23cdbc7213e515/cha186.pdf>> (October 16 2008); David L. Phillips, "Stability, Security, and Sovereignty in the Republic of Georgia", New York, Council on Foreign Relations, January 15 2004, pp 10-11, <<http://www.cfr.org/content/publications/attachments/Georgia.pdf>> (October 16 2008).

<sup>58</sup> World Bank, "Doing Business: Georgia is This Year's Top Reformer", September 6 2006, <<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/GEORGIAEXTN/0,,contentMDK:21042336~pagePK:141137~piPK:141127~theSitePK:301746,00.html>> (October 15 2008).

<sup>59</sup> Transparency International, "2004 Corruption Perceptions Index", <[http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2004](http://www.transparency.org/policy_research/surveys_indices/cpi/2004)> (October 16 2008); Transparency International, "2008 Corruption Perceptions Index", <[http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2008](http://www.transparency.org/policy_research/surveys_indices/cpi/2008)> (October 16 2008).

<sup>60</sup> Lynch, "Why Georgia matters", pp 28-29; Reuters, "Georgia expects double-digit growth in 2007", April 16 2007.

<sup>61</sup> Gogatadze, *General Analysis of Georgian Banks, Their Internal Activities and Machinations*, p 2.

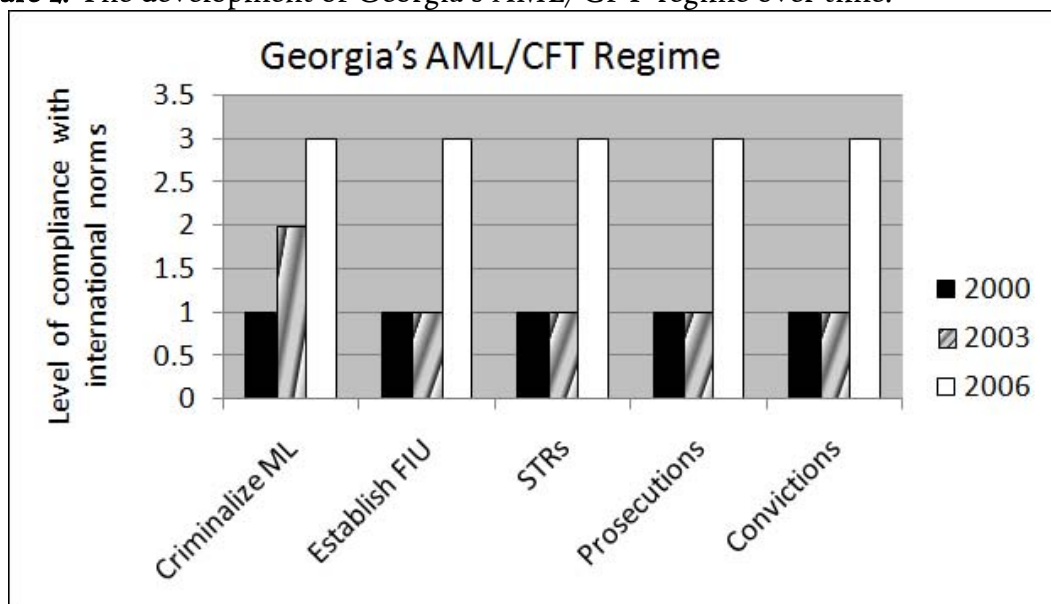
<sup>62</sup> Alexander Kupatzade, "Political-Criminal-Business Nexus in Georgia and Kyrgyzstan," Research Paper, Social Research Center, American University Central Asia, Bishkek, 2006.

presidential powers invoked to carry out quick and efficient reforms have reportedly undermined the independence of Georgia's courts.<sup>63</sup> And some of Georgia's banks which survived the reform and consolidation process are believed to maintain close ties with offshore companies.<sup>64</sup>

#### *The Evolution of the Georgian AML Regime*

The development of Georgia's AML/CFT regime is directly linked to the increased political weight behind such efforts following the 2003 Rose Revolution.

**Figure 2.** The development of Georgia's AML/CFT-regime over time.



Each of the five measures (and the overall score) is coded on a scale 1-3, whereby 1 means not compliant, 2 partly compliant, and 3 largely compliant with the FATF's 40+9 criteria.<sup>65</sup>

In the year 2000, Georgia's financial regulatory system had no provisions for identifying or even defining money laundering. There had been no investigations or prosecutions for money laundering and there was no FIU or coordination among law enforcement and financial oversight agencies. Moneyval concluded that Georgia had "very serious deficits in the anti-money laundering system in all sectors – legal,

<sup>63</sup> Engvall, "Multiple Political Equilibriums in the Former Soviet Union: Evidence from Georgia, Kyrgyzstan and Ukraine", p 21.

<sup>64</sup> Gogatadze, *General Analysis of Georgian Banks, Their Internal Activities and Machinations*, p 2.

<sup>65</sup> This assessment follows the same methodology discussed in table 1, with coding ranging from 1 (non-compliant with international standards) to 3 (compliant). Based on Moneyval's 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> mutual evaluation reports.

financial, and law enforcement.”<sup>66</sup> By May 2003, money laundering had been criminalized, but never investigated or prosecuted. Anonymous bank accounts were still available, bank secrecy continued to trump due diligence and exchange bureaus and casinos were largely unregulated. There was no suspicious transaction regime.<sup>67</sup> Although the Shevardnadze government took some measures in June 2003 to amend the situation, it was not until 2004, after the inauguration of Saakashvili, that evidence of manifest progress emerged.

The provisions of a new AML law went into effect in January 2004. Terrorist financing was criminalized in July 2006 and several amendments became law soon thereafter.<sup>68</sup> Financial institutions now face significant obligations pertaining to customer identification, record keeping and internal control systems. Gradually, a new reporting culture is creating a more watchful banking sector. FDI flows into Georgia increased significantly during this period, from 8% of GDP in 2003 to 17%. About 1/3 of these FDI flows are related to pipeline construction, and there are no obvious anomalies in the country’s FDI in-flows.<sup>69</sup>

Georgia has also progressed in terms of *de facto* implementation. In the words of the 2006 Moneyval report: “[...] money laundering prosecution is being taken seriously.”<sup>70</sup> Georgia’s FIU – the Financial Monitoring Service (FMS) – began to function in early 2004. In mid-2004, the FMS became a member of the Egmont Group, implying its cooperation with other FIUs around the world. The Special Service on Prevention of Legislation of Illicit Income (SSPLII) was created at the General Prosecutor’s Office, which investigates reports of money laundering received from the FMS and other sources.<sup>71</sup> Between January 2004 and April 2006, the FMS received 43,053 reports from monitoring entities, of which 1,313 were categorized as suspicious. After analysis, the FMS forwarded in total of 26 cases to SSPLII and 15 defendants were convicted of money laundering.<sup>72</sup> In April 2006, Moneyval felt confident enough to assert that the “basic building blocks of an AML/CFT system are now broadly in place”.<sup>73</sup>

---

<sup>66</sup> Moneyval, “First Mutual Evaluation Report on Georgia – Summary”, Council of Europe, Strasbourg, December 13 2001, p. 2.

<sup>67</sup> Moneyval, “Second Round Mutual Evaluation Report on Georgia – Summary”, Council of Europe, Strasbourg, January 20 2005.

<sup>68</sup> Moneyval, “Georgia: Progress Report”, Council of Europe, Strasbourg, July 23 2008.

<sup>69</sup> IMF, “Georgia: Sixth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Performance Criteria,” Country Report No. 07/299, p 7 box 2, August 2007, <<http://www.imf.org/external/pubs/ft/scr/2007/cro7299.pdf>> (October 15 2008).

<sup>70</sup> Moneyval, “Third Round Detailed Assessment Report on Georgia”, p. 42.

<sup>71</sup> *Ibid.*, pp. 63-76.

<sup>72</sup> *Ibid.*, pp. 9-10, 40-42, 76.

<sup>73</sup> *Ibid.*, p. 7.

Georgia's new regulations are by no means perfect. The supervision of gambling affairs, dealers in precious metals and stones, and real estate agents appears limited.<sup>74</sup> Financial criminality and money laundering appear to flourish in the breakaway provinces where Tbilisi's lack of control means no effective system is in place to detect the cross-border transportation of physical currency.<sup>75</sup> It should also be noted that privatization and deregulation policies adopted with the aim of removing entrepreneurial barriers appear to have created new money laundering risks in some sectors.<sup>76</sup>

The much discussed case of Irakli Okruashvili, who served as Minister of Defense under President Saakashvili before being dismissed in late 2006, is one case in which Georgia's anti-money laundering efforts may have been politicized.

Soon after his dismissal, Okruashvili formed an oppositional party and unleashed sharp criticism against the incumbent government, going so far as accusing the president of planning to eliminate the oligarch Badri Patarkatsishvili. On September 27, 2007, Okruashvili was arrested on charges of money laundering, corruption and abuse of office. Okruashvili's arrest was one of several factors that triggered large-scale demonstrations in November 2007 that forced a decision to hold snap presidential elections in early 2008. Some analysts have argued that Okruashvili's arrest may have been politically motivated and that the money laundering accusation may have been intended as a message to opposition business figures such as Patarkatsishvili who made their fortunes during the lawless capitalism of the 1990s.<sup>77</sup>

The Okruashvili case may reflect not only the phenomenon of selective implementation, but also the fact that decision-makers incur a political risk when pushing for the adoption and implementation of AML/CFT-measures. Progressive AML-forces expose themselves to the anger of those with a vested interest in maintaining a weak state, lax oversight and an unregulated market. In the worst-case scenario pro-

---

<sup>74</sup> *Ibid.*, pp. 14, 28, 148, 150.

<sup>75</sup> Mikhail Tokmazishvili, *Money Laundering and Money Corporation Relations in Abkhazia* (Tbilisi: Transnational Crime and Corruption Center, 2006); Moneyval, "Third Round Detailed Assessment Report on Georgia", p 8.

<sup>76</sup> For more on the linkages between privatization, money laundering, and corruption, see Roman Bokeria, *Ongoing Process of Privatization in Georgia* (Tbilisi: Transnational Crime and Corruption Center, 2006); Grigol Tbieli, *Economic Crime and Money Laundering Connected with Privatization in Borjomi Region* (Tbilisi: Transnational Crime and Corruption Center, 2006).

<sup>77</sup> Jaba Devdariani, "Georgia's Okruashvili's Scandal: Loud Bang with Uncertain Fallout", *Central Asia-Caucasus Analyst* (October 17 2007); Salome Asatiani, "Georgia: Tycoon with Murky Past at Center of Political Drama", *Radio Free Europe/Radio Liberty*, October 12 2007.

active forces face the risk of physical insecurity.<sup>78</sup> In less dramatic cases, such as that in Georgia, the risk may be simply of being forced out of office.<sup>79</sup>

It is possible to interpret the circumstances surrounding Okruashvili's arrest as both a story of the government's selective implementation of AML legal tools, and as an alliance between opposition figures and questionable businessmen determined to oust the incumbent administration.<sup>80</sup> It remains to be seen whether cases such as this, which detract from the image and quality of Georgia's AML regime, will remain an exception or become the new rule.

### Patterns and Lessons

The Georgian case illustrates the pivotal role of political will in the adoption and implementation of AML/CFT measures.

Following the downfall of the Shevardnadze government and the rise of Saakashvili's administration, Georgia significantly improved its AML/CFT regime in terms of both legislation and implementation. While loopholes and weaknesses remain, the progress achieved has been remarkable, particularly in view of the difficult point of departure.

Georgia's success is arguably the outcome of several mutually reinforcing factors. To begin with, the Saakashvili administration treated the creation of an efficient AML/CFT regime as part of a wider state-building process, turning the struggle against corruption, organized crime and money laundering into a national priority. In an attempt to bring South Ossetia under the central government's control, Tbilisi initiated a drive in 2004 against smuggling in and around the breakaway province, undercutting the local authorities' financial base.<sup>81</sup> Tbilisi's staunchly Western foreign policy and the belief that international-standard AML/CFT regulations would serve that foreign policy objective also contributed to Georgia's success. These combined foreign policy and

---

<sup>78</sup> In its most drastic form, the physical risk of being involved in fighting money laundering became apparent by the execution-style killing in September 2006 of the ex-head of the Russian Central Bank, Andrei Kozlov, who was well-known and renowned for his tough stance on AML. For more on this, see Pavel K. Baev, "Corruption in Putin's System Becomes Murderous", *Eurasia Daily Monitor* 3, 174 (September 21 2006).

<sup>79</sup> Cf. Gavin Slade, "The Threat of the Thief: Who Has Normative Influence in Georgian Society?", *Global Crime* 8, 2 (2007), pp. 172-179.

<sup>80</sup> C.J. Chivers, "Rival to Georgia's President is Charged with Terrorism", *The New York Times*, January 11 2008; Vladimir Socor, "Georgian Opposition on a Free Ride", *Eurasia Daily Monitor* 4, 205 (2007); Vladimir Socor, "Badri Patarkatsishvili: From Russian Businessman to Georgian Presidential Claimant", *Eurasia Daily Monitor* 4, 237 (2007).

<sup>81</sup> International Crisis Group, "Georgia: Avoiding War in South Ossetia", Tbilisi, ICG Europe Report N°159, November 26 2004, <<http://www.crisisgroup.org/home/index.cfm?l=1&id=3128>> (October 13 2008).

domestic political considerations together pushed the Saakashvili administration towards the creation of an efficient AML/CFT regime.

The same configuration of factors is not present in neighboring Azerbaijan or Armenia. Both Baku and Yerevan are in need of reforms promoting financial transparency. Much like Georgia, they host a frozen conflict and they need to strengthen their respective state apparatuses. The pressure for reform, however, has impacted both countries less. Contrary to Georgia, Armenia entertains friendly relations with Russia and is less amenable to Western pressure. Although Azerbaijan has a Westward-leaning foreign policy, Baku may be suffering from a resource curse whereby its hydrocarbons wealth has slowed structural reforms designed to encourage transparency-contingent foreign direct investment.

### **Policy Implications and Prospects for Improvements**

It is sometimes assumed that the more AML/CFT regulations a country has, the better. But as Central Asia and to a lesser degree the South Caucasus illustrates, these policies can sometimes be used to target political opponents, thus providing governments with a veneer of respectability as they crack down on political opposition. In regions where unorthodox business methods were or are common, investigations into money laundering may, as the U.S. State Department noted in the Kazhegeldin case, be politically motivated although they are grounded in fact.<sup>82</sup> Thus, assessments of the quality of AML/CFT regulations should include not only whether prosecutions and convictions have been reached, but also the nature of these convictions. This relates primarily to whether convictions seem politicized or not. But another aspect is that enforcement may target low-level criminals, whereas more well-connected or technically savvy criminals may get away.

Georgia, with the possible exception of the Okruashvili affair, convincingly shows that a post-communist country with severe corruption can achieve remarkable progress in a short period of time. In this case, the greatest AML improvement in Eurasia stemmed not only from external pressure and assistance, but from political will within the jurisdiction following the Rose Revolution.

To promote AML/CFT efforts, the international community needs to go beyond technical peer evaluations alone and actively seek to improve and stimulate the political will of domestic elites to tackle money laundering. Without significant political will, progress will be slow or none.<sup>83</sup> Political will can be promoted using positive and/or

---

<sup>82</sup> Stodghill, "Oil, Cash and Corruption", November 5 2006.

<sup>83</sup> The perhaps most drastic example of a lack of political will is illustrated by recent developments in Uzbekistan. Several Presidential decrees issued in 2007 have suspended the implementation of certain aspects of its AML/CFT regulation until 2013. Furthermore,



negative reinforcement. On the one hand, the international community can expound the advantages of increasing confidence in the domestic financial system. But since AML regulations largely are public goods with tangible costs but unclear and temporally distant benefits, this may not always suffice. Other paths, such as the “collective actions” of the EU Money Laundering directives and the “name and shame” effect resulting from mutual evaluation reports in various international forums make for necessary complements.

More coercive instruments can also help generate political will. A prominent international instrument was provided by the now-dormant Non-Cooperative Countries and Territories list issued by FATF. Coercive action can also be taken by national institutions, such as when the U.S. Treasury designated Latvian banks VEF and Multibanka as “primary money laundering concerns”.<sup>84</sup> Such actions, however, are not likely to be used very frequently.

The incentives for financial institutions to comply with AML/CFT regulations are increasing in both emerging and developed markets. As Kyrgyzstan’s Asia Universal Bank illustrates, transparent banks can enjoy a market advantage. The efforts of the Kyrgyzstan Banking Union also highlight the role that non-state actors can play in encouraging the adoption of AML/CFT regulations. In more developed jurisdictions, such as the U.S., banks are becoming prudent with their correspondent banking relations, due to increased fines and increased “reputational risks” that follow as a result of failing to comply with AML/CFT regulations.<sup>85</sup> Although the current financial crisis may slow U.S and EU efforts to further AML/CFT regulations, financial institutions’ sensitivity to issues of confidence and financial transparency is only likely to increase.

It is prudent, however, to conclude with a note of caution. While the benefits of AML/CFT regulations are abstract and temporally distant, the costs are immediate and tangible. International AML/CFT standards are complex and technologically demanding and many developing countries may lack the expertise or resources necessary to adopt and implement effective AML regimes. Moreover, it is not in the interest of politicians benefiting from political corruption to promote financial

---

a decree from February 20 2008 prohibits banks and officials from inquiring into the legality of sources of funds of transactions executed by physical persons until April 2009. See Financial Action Task Force, “Statement”, January 28 2008; International Money Laundering Information Network, “AML/CFT Newsletter for Central Asia”, Issue 26 (April 2008).

<sup>84</sup> U.S. Department of the Treasury, “Treasury Wields Patriot Act Powers to Isolate Two Latvian Banks Financial Institutions Identifies as ‘Primary Money Laundering Concern’”, JS-2401, April 21 2005, <<http://www.treas.gov/press/releases/js2401.htm>> (October 16 2008).

<sup>85</sup> Hopkins, “AML Fines Mount: Root Causes and Next Steps”, September 26 2007.

market integrity. It thus seems likely that improvements in Central Asia and the South Caucasus will be piecemeal and incremental at best. Despite the benefits stringent and judicious AML/CFT regulations could bring Central Asia and the South Caucasus, it remains to be seen whether the countries in question will tap into that potential any time soon.

# Pakistan's Nuclear Defense Ambitions and U.S. Relations, the Global War on Terror in FATA: Promoting Regional Stability?

*David A. Anderson and Heather Maki\**

## ABSTRACT

Over the years, the internationally-backed U.S. policy toward Pakistan has proven short-sighted, inconsistently exercised, and regionally destabilizing. Pakistan remains a fragile state, now with nuclear weapons, a poorly running economy, and internal strife. Due to the advent of the Global War on Terror (GWOT), the Taliban, and Al Qaeda operating in Pakistan's Federally Administered Tribal Area (FATA), future foreign policy toward Pakistan will now have to be consistent and enduring to be successful, particularly to combat the GWOT in the Pakistan-Afghanistan border region. It will require a substantial economic development package, especially for the FATA, and military aid that will allow Pakistan to secure its border with Afghanistan and combat internal insurgent activities. With the new democratically-elected government in Pakistan and the new U.S. administration, Pakistan, the U.S., and the International community must seize the moment. The authors offer a way ahead to do just that.

*Keywords* • Pakistan • Afghanistan • Global War on Terror (GWOT) • Nuclear Weapons • Federally Administered Tribal Areas (FATA) • Taliban and Al Qaeda

## Introduction

Pakistan is still paying for the struggles of the world's superpowers—first, between British India and the Soviet Union; later as a launching point for the U.S.-supported insurgency to defeat the Soviets in Afghanistan; and more recently, the Taliban and Al Qaeda in the Federally Administered Tribal Areas (FATA). Regarding the former, the British division of British India and Pakistan led to a continuous struggle between Pakistan and India for Kashmir, resulting in a nuclear race

---

\* David A. Anderson is an Associate Professor at the U.S. Army Command and General Staff College, Fort Leavenworth, KS (USA), where he teaches strategic/operational studies and economics, he is also an Adjunct Professor of international relations at Webster University (USA). Heather Maki is a career U.S. Army officer currently serving in Afghanistan. She is a recent graduate of both the U.S. Army Command and General Staff College and Webster University.

between the two. The latter provided the catalyst for the radicalization of Pakistan's tribal areas—which, having grown markedly since the Soviet invasion and subsequent withdrawal from Afghanistan, has added to the on-going internal stability challenges facing Pakistan.

Throughout this time, U.S. foreign policy toward Pakistan has been an internationally-backed “carrot-stick” approach designed to prevent the development of nuclear weapons, promote its peaceful rise within the region, and assist in its economic development. Over the years, this policy has proven to be short-sighted, inconsistently exercised, and arguably destabilizing in the long-run. Pakistan-India relations remain tenuous at best; Pakistan-Afghanistan relations have continually eroded, primarily over issues associated with FATA and the harboring of the Taliban and Al Qaeda; and Pakistan remains a fragile state, now with nuclear weapons, and a poorly running economy—exacerbating its on-going internal strife.

Future internationally-supported U.S. foreign policy toward Pakistan will have to be consistent and enduring to be successful, particularly to be effective in promoting the GWOT in the Pakistan-Afghanistan border region. It will require a substantial economic development package and peace-oriented diplomacy with its neighbors. Pakistan will eventually have to take the lead in securing its border with Afghanistan and reducing the insurgent activities within its own borders. It will further require diverting military resources away from countering the exceedingly unlikely threat posed to it by India if it is to have any chance for stability and economic prosperity in the future. With the advent of a new, democratically-elected government in Pakistan and a new U.S. administration, Pakistan, the U.S., and the International community must seize the moment.

Before offering a multi-pronged approach to future U.S. /Pakistan regional relations, this paper will review Pakistan's on-again, off-again relationship with the U.S., beginning with its inception as a nation, its nuclear program, the Soviet Invasion of Afghanistan, 9/11, and the growth of Islamic extremists. It will further examine Pakistan's stability challenges, including its troubles in the tribal area and the role Pakistan has played in the War on Terror.

### **Pakistani Independence, Instability and Shifting U.S. Foreign Policy**

Since its independence from Britain in 1947, political instability and economic difficulty has plagued Pakistan. As British influence in the region declined, so too, did peace between Pakistan and its neighbor India. In an attempt to fill the void left by the British, the U.S. brokered the 1954 Mutual Defense Agreement between India and Pakistan. For Pakistan's part in this agreement, the U.S. sent \$508 million in military

aid between 1953 and 1961 to Pakistan.<sup>1</sup> In 1955, Pakistan tried to further align itself with the West by joining two regional defense pacts, the Southeast Asia Treaty Organization (SEATO) and the Baghdad Pact/Central Treaty Organization (CENTO). As a result of these alliances, Islamabad received an additional \$2 billion in U.S. assistance between 1955 and 1961.<sup>2</sup>

During the Indo-China War, U.S. President John F. Kennedy reached out and offered military and economic aid to India. When Pakistan made its displeasure known, President Kennedy assured Pakistani President Mohammed Ayub Khan that he would notify him before the United States would give India military aid. When Washington failed to do so in November 1962, it deeply offended the Pakistani leader. To reassure Pakistan, Washington reaffirmed its previous commitment to come to Pakistan's assistance in the event of aggression from India. However, in August 1965, the second war over Kashmir ensued. Instead of going to the aid of Pakistan as promised, the U.S. responded to the conflict with renewed sanctions on both sides. The Pakistanis were embittered with the U.S. by what it perceived as a U.S. betrayal through the imposed sanctions during the war, which affected Pakistan much more severely than India.<sup>3</sup>

Following the UN-mandated seize-fire, President Ayub Khan's power declined while Pakistan's political and diplomatic relations dramatically shifted toward the Soviet Union and China, and away from the U.S. and the West. Subsequent political and economic hardship ensued within Pakistan resulting in widespread political movements across the country, which eventually compelled President Khan to resign in 1969.

General elections held in 1970 polarized the relationship between East and West Pakistan when a separatist Bengali group in the East swept all of the East Pakistan seats to gain a majority in Pakistan's overall government. The Pakistan People's Party (PPP), founded and led by Zulfikar Ali Bhutto, won a majority of the seats in West Pakistan, but the election emphasized the dissatisfaction of East Pakistan under Islamabad's rule and politically split a country that was already physically divided. After negotiations to form a coalition government broke down, the Pakistan Army attempted a bloody crackdown on Bengali nationalists in East Pakistan.

During this time, the U.S. government had been secretly trying to open a dialogue with China with the help of Pakistani military ruler Yahya Khan, so they choose not to admonish Pakistan's leadership for

---

<sup>1</sup> Jayshree Bajoria, "U.S. involvement in Pakistan," Council on Foreign Relations, February 15 2008, <[http://www.cfr.org/publication/15260/uspakistan\\_relations.html](http://www.cfr.org/publication/15260/uspakistan_relations.html)> (April 7 2008).

<sup>2</sup> *Ibid.*

<sup>3</sup> *Ibid.*

the brutal response to the Bengali nationalist movement. After the Western media condemned the U.S. for its silence on the matter, the U.S. again suspended its military aid to Pakistan, causing further resentment among Pakistanis. Subsequently, on December 16, 1972, Pakistani forces surrendered in Dhaka, and East Pakistan became the nation of Bangladesh.<sup>4</sup> Yahya Khan then resigned from presidency, turning over leadership of the western part of Pakistan to Bhutto. Bhutto moved decisively to restore national confidence. In January 1972, he initiated in earnest Pakistan's first nuclear weapons program.<sup>5</sup>

### Pakistan's Nuclear Ambitions

During the early 1970's, the undeniable truth for Pakistan was that its rival, India, was in the process of developing nuclear weapons. To counter that effort, Pakistan needed a "Muslim bomb". When India successfully launched a nuclear weapons test in 1974, with little international criticism because of the claim that it would be used for peaceful purposes, Pakistan's efforts became direr. Pakistan believed that nuclear weapons would serve as the nation's great equalizer.

Initially, Pakistan focused on acquiring plutonium to build a nuclear weapon, and in 1974 they signed a contract with France to design a facility for reprocessing the fuel from both its power plant at Karachi and other planned facilities.<sup>6</sup> As Pakistan's intentions became more widely known, the international collaborators were forced to withdraw under pressure—(particularly sustained pressure from the United States)—from others in the international community.

The initial roadblock was short-lived, when Dr. Abdul Qadeer Khan, an Indian, but strong Pakistani nationalist, offered Pakistan the plans for uranium enrichment centrifuges and lists of sources, along with the necessary technology from URENCO in 1974. In 1975, the year after India's first nuclear blast, the U.S. operated under the assumption that Pakistan could not retaliate due to their lack of nuclear capabilities at that time. In a move to normalize relations, the U.S. resumed limited aid and renewed arms sales to Pakistan. However, in 1976 mounting evidence of a major Pakistani nuclear arms project forced the U.S. to once again cut off military and economic assistance to Pakistan, except food assistance, after months of failed diplomatic efforts.<sup>7</sup>

---

<sup>4</sup> *Ibid*

<sup>5</sup> U.S. Department of State, "Background Notes Pakistan," Department of State, 2007, <http://www.state.gov/r/pa/ei/bgn/3453.htm> (5 April 2008).

<sup>6</sup> John Pike, "Pakistan Nuclear Weapons," Global Security.org, April 28 2005, <http://www.globalsecurity.org/wmd/world/pakistan/nuke.htm> (April 19 2008).

<sup>7</sup>U.S. Department of State, "Background Notes Pakistan."

What had been, at the end of the 1960s, a rather exclusive club of nuclear states appeared to be on the verge of undergoing a rapid and undesirable expansion, because of the aspirations of India and Pakistan, and as a result of the growing availability of the expertise and materials needed to advance those programs. What ensued over the next several years, and continued largely unabated, was a deadly cat-and-mouse game during which nations such as Pakistan, and later North Korea, Libya, and Iran, would seek to acquire nuclear weapons.<sup>8</sup>

### **Soviet Invasion of Afghanistan**

The U.S. administration's view of Pakistan changed dramatically following the Soviet invasion of Afghanistan in December 1979. Pakistan went from radical nuclear threat to a country of paramount geostrategic importance. In a matter of days, the United States declared Pakistan a "frontline state" against Soviet aggression. In order to contain the spread of communism and garner Pakistan's cooperation, the U.S. again courted Pakistan and offered both military and economic assistance. By 1981, the U.S. aid package grew to \$3.2 billion in economic and military aid to Islamabad. Additionally, the U.S. made a separate arrangement for the sale of forty F-16s to Pakistan.<sup>9</sup> In return, Pakistan became a base and conduit for U.S. and Saudi-armed Afghan resistance fighters. With Saudi intelligence agents acting as intermediaries, the CIA covertly helped Pakistan's Inter-Services Intelligence (ISI) in training and arming the mujahedeen inside camps in Pakistan along the border with Afghanistan.<sup>10</sup> Pakistan's ISI coordinated the delivery of arms and funds and began its deep involvement in Afghan politics that plagues the two nations to this day.

Throughout this period, Pakistan's President Zia-ul-Haq had pushed an "Islamization" program in Pakistan and in December 1984, he proclaimed a national referendum on his program. With its approval, he declared a mandate for his continued presidency. As part of Zia's Islamization, he created many fundamental madrasahs, which served to educate and militarize Pakistan's youth in fundamentalist Islam. The students in these jihad-oriented madrasahs were recruited primarily from the FATA of Pakistan and from Afghanistan and other Muslim countries of Asia, Middle East, and Africa. They were given military training in the camps located along the border of Afghanistan and Pakistan. The

---

<sup>8</sup> Jack Caravelli, "Nuclear Insecurity: Understanding the Threat from Rogue Nations and Terrorists: Pakistan." Greenwood Publishing Inc., 2008, <[http://psi.praeger.com/doc.aspx?q=&newsearch=&c=&p=o&s=pd&newindex=&orig\\_search=&adv\\_search=1&num=1&freeform=&op\\_o=&term\\_o=pakistan&index\\_o=words&d=/books/gpg/Caravelli-C9746/Caravelli-C9746-285.xml&i=11#txmlhit](http://psi.praeger.com/doc.aspx?q=&newsearch=&c=&p=o&s=pd&newindex=&orig_search=&adv_search=1&num=1&freeform=&op_o=&term_o=pakistan&index_o=words&d=/books/gpg/Caravelli-C9746/Caravelli-C9746-285.xml&i=11#txmlhit)> (April 18 2008).

<sup>9</sup> *Ibid.*

<sup>10</sup> Bajoria, "U.S. involvement in Pakistan," 1981.

indirect effect of this strategy in Pakistan was the spread of radicalism and militancy, “an increase in ethnicity and sectarianism, empowerment of religious clerics, and the deterioration of Pakistani domestic institutions. Overall, the joint policies of the U.S. and Pakistan governments, with active support from some Arab countries, resulted in the militarization of Muslim youth with far reaching negative consequences for the growth of terrorism within the region.”<sup>11</sup>

While the U.S. and several other nations were pushing to defeat the Soviets in Afghanistan, and Pakistan being a vital link in the operations, Pakistan’s nuclear development efforts continued relatively uncontested.<sup>12</sup> Pakistan even sought and received assistance from China. China’s nuclear assistance predates the 1986 Sino-Pakistani atomic cooperation agreement. It reportedly included providing Pakistan with the design of one of its warheads, as well as sufficient highly enriched uranium (HEU), so that by the middle of the 1980’s, Pakistan had enough HEU for at least one nuclear weapon. China and Pakistan’s cooperation continued well into 1996.<sup>13</sup>

Despite the renewal of U.S. aid and close security ties, many in Congress, while unaware of the future implications of the mujahedeen, remained troubled by Pakistan’s nuclear-weapons program. They added the Pressler Amendment to the Foreign Assistance Act in 1985, which required the U.S. President to “certify to Congress that Pakistan does not possess a nuclear explosive device during the fiscal year for which aid is to be provided”.<sup>14</sup> President Reagan promptly did so, preserving the economic flow and the political relationship for the rest of his term in office. In 1986, the U.S. and Pakistan agreed to a multi-year (FY 1988-93) \$4 billion economic development and security assistance program. Aside from the negative consequences that choice would have on nonproliferation grounds, the rise of the mujahedeen, and Osama bin Laden laid much of the groundwork for the subsequent rise of radical Islamic activity. Furthermore, the vast flow of foreign assistance for the covert program being run through Pakistan almost certainly had the unintended consequence of enhancing the bureaucratic influence of the ISI within the Pakistan government, another development that viewed through the lens of history seems inimical to U.S. interests.<sup>15</sup>

Following the Soviet withdrawal from Afghanistan beginning in 1988 and a change in the U.S. administrations, Pakistan’s nuclear activities again came under intense U.S. scrutiny. In August 1988, an airplane

---

<sup>11</sup> Jayed Iqbal and Edward J. Filiberti, “Effects of International Terrorism on the Security of Pakistan,” USAWC Strategy Research Project, U.S. Army War College, (2007): 2.

<sup>12</sup> Caravelli, “Understanding the Threat from Rogue Nations and Terrorists: Pakistan.”

<sup>13</sup> *Ibid.*

<sup>14</sup> Bajoria, “U.S. involvement in Pakistan,” 1985.

<sup>15</sup> Caravelli, “Understanding the Threat from Rogue Nations and Terrorists: Pakistan.”



carrying General Zia, along with the U.S. ambassador, Arnold Raphel, and several other key U.S. and Pakistani military officers mysteriously crashed, thereby ending eleven years of Zia's military rule.

Pakistan's Islamization continued to grow after Zia's death in 1988. Distracted by an impending defeat of the Soviet Union, the Reagan administration didn't seem to notice that General Zia's Islamist regime was aiding the Afghan Mujahedeen, religious zealots who wanted to rid their Islamic homeland of "Godless communists".<sup>16</sup>

By 1990, the U.S. had provided enough military aid to Pakistan to modernize its conventional defensive capability. The U.S. allocated about 40 percent of its assistance package to non-reimbursable credits for military purchases, the third-largest U.S. military aid program behind Israel and Egypt. The remainder of the aid program was devoted to economic assistance.<sup>17</sup>

Following the removal of then Prime Minister Benazir Bhutto by President Ghulam Ishaq Khan in 1990, Pakistan stepped up its nuclear program.<sup>18</sup> The U.S. no longer needed Pakistan to play an essential role in its covert action against the invading Soviet forces, thus leading to a reassessment of Pakistan's nuclear activities. President George H.W. Bush took the opportunity to suspend aid to Pakistan under the provisions of the Pressler Amendment and added sanctions, which halted most economic and all military aid and deliveries of major military equipment and denied Pakistan further military assistance.<sup>19</sup>

President Bush's actions set U.S.-Pakistani relations on a collision course that would last throughout much of the decade. In a speech in New York City, Pakistani Senator Sartaj Aziz stated, "our appraisal of the history of those [U.S.-Pakistan] relations is marked by a feeling of a let down. The feeling was especially acute when Pressler was imposed in 1990. Pakistan had suffered the consequences of the Afghan War and expected the U.S. to be sympathetic to its economic needs. Instead, Pakistan faced economic sanctions, and it was obvious that the end of the Cold War had changed priorities for the United States in which the needs of an erstwhile ally did not figure."<sup>20</sup>

### **Pakistan's Continued Nuclear Weapons Endeavors**

North Korean assistance changed the dynamics of Pakistan's military posture. It is likely that the relationship between these countries was solidified during a 1993 visit by Pakistan's Prime Minister's to

---

<sup>16</sup> Ahrari, "Jihadi Groups, Nuclear Pakistan, and the New Great Game," p.6.

<sup>17</sup> U.S. Department of State, "Background Notes Pakistan."

<sup>18</sup> Pike, "Pakistan Nuclear Weapons," p.1.

<sup>19</sup> Caravelli, "Understanding the Threat from Rogue Nations and Terrorists: Pakistan."

<sup>20</sup> *Ibid.*

Pyongyang. However, it was cultivated a year earlier, when Pakistani engineers and scientists inspected the North Korean Nodong missile, a liquid-fueled missile derived from the Russian Scud missile, with a range of about 1,000 to 1,200 kilometers.<sup>21</sup>

During the 1990s, due to desires to advance its missile program, but with limited funding to do so, Pakistan agreed to start supplying North Korea with nuclear assistance, with the purpose of providing technical support for that country's nuclear weapons program in exchange for Pyongyang's help in developing long-range missiles.<sup>22</sup>

In addition to North Korea and earlier with Iran, the Pakistanis also established contact Libyan nuclear experts in 1995, which led to protracted supply arrangements that included the provision of nuclear weapons designs and centrifuges over an extended period of time. Later, in December 2001, Abdul Qadeer Khan and his international collaborators set up a manufacturing plant in Malaysia (SCOMI Precision Engineering, or SCOPE) to help meet his parts commitments to Libya.<sup>23</sup>

In April 1998, the Pakistan military carried out a successful test of the Ghauri medium-range ballistic missile, signaling to the Indian government that its cities could be attacked directly for the first time. India responded almost immediately conducting five nuclear tests in two days during May of 1998. Not to be outdone, just two weeks later, Pakistan successfully tested its own nuclear capabilities and Abdul Qadeer Khan became a national hero.<sup>24</sup>

### 9/11 – A New Era in U.S. Pakistan Relations

Following the events of 9/11, the Bush administration's foreign policy initiated its War on Terror stating that there was no room for neutrality on this matter. Pakistan, once again, became a necessary strategic ally to the U.S. in the wake of the decision to confront Al Qaeda and the Taliban in Afghanistan. The U.S. gave Pakistan what amounted to an ultimatum; they were either an ally or be regarded as against the War of Terror. The U.S. laid out the following demands for Pakistan to act on as America's ally:

1. Stop Al Qaeda operations on the Pakistani border, intercept arms shipments through Pakistan, and stop all logistical support for bin Laden.
2. Allow blanket over-flight and landing rights for U.S. planes.
3. Allow U.S. access to Pakistan's naval bases, airbases, and borders.

---

<sup>21</sup> *Ibid.*

<sup>22</sup> *Ibid.*

<sup>23</sup> *Ibid.*

<sup>24</sup> *Ibid.*

4. Curb all domestic expression of support for terrorism against the United States, its friends, and allies.
5. Cut off the Taliban's fuel supply and stop Pakistani volunteers going into Afghanistan to join the Taliban.
6. Break diplomatic relations they had with the Taliban and assist the United States in destroying bin Laden and his Al Qaeda network.<sup>25</sup>

President Pervez Musharraf's initial concerns in assisting the U.S. stemmed from thoughts about the implications for "Pakistan's long-standing rivalry with India, efforts at economic revival, nuclear weapons program, and equities in the conflict over Kashmir".<sup>26</sup> Due to Pakistan's strategic location, in this case, a location where the Taliban and Al Qaeda clearly were thriving, Pakistan had little choice and was thrust into the front line of the War on Terror, which was viewed by many in Pakistan as another American war. Pakistan's decision to support the U.S. would yield substantial aid and direct assistance programs to improve the country's "education, health, food, democracy, the elimination of child labor, counter narcotics, and border security programs as well as preferential trade benefits."<sup>27</sup>

Furthermore, while the administration did not completely exonerate President Musharraf from the Pakistan nuclear issue or his military coup and dictatorship, the U.S. did reopen previously closed diplomatic avenues: they lifted some of the sanctions enacted following the Pakistan and India nuclear tests in 1998 and resumed military assistance, providing spare parts and equipment to enhance Pakistan's capacity to police its western border with Afghanistan, and addressed its legitimate security concerns. Secretary of State Colin Powell further emphasized the significance of supporting the U.S. in saying, "we will stand by our friends who stand by us". He was referring specifically to the U.S. decision to lift some of the sanctions against Pakistan.<sup>28</sup>

Washington expected Musharraf to halt Al Qaeda and the Taliban in the expansive and relatively ungoverned FATA in Pakistan. This task was certainly no small undertaking given the terrain, the Pashtun tribes association with and large membership in the Taliban, and porous border between Pakistan and Afghanistan. Additionally, prior to 9/11, the ISI and Pakistani government assisted elements and built relationships with those who had either supported or were members of the Taliban for at least a decade within Afghanistan. Finally, the widespread support for the more radical side of Islam had grown in Pakistan with the growth of

---

<sup>25</sup> *Ibid.*

<sup>26</sup> Ashley J. Tellis, "Pakistan's Record on Terrorism: Conflicted Goals, Compromised Performance," *The Washington Quarterly*, 31:2 (2008): 8.

<sup>27</sup> Bajoria, "U.S. involvement in Pakistan," 2001.

<sup>28</sup> Pike, "Pakistan Nuclear Weapons," p.1.

the madrasahs and would prove difficult for Musharraf's government to combat as well.

In order to better understand these challenges, it is important to understand Pakistan's geography and where these terrorist groups are located within the Pakistan/Afghan border region. Pakistan, at 796,095 sq km, is over three times as large as Minnesota. It borders on China, India, Iran, and in the War on Terror, the greatest area of concern is its 2,430 km border region with Afghanistan. The country consists of four provinces: Balochistan, North-West Frontier Province (NWFP), Punjab, Sindh Provinces; One Capital territory: Islamabad; and one territory: the FATA.<sup>29</sup> The FATA and western side of the NWFP are presently a relative safe-haven for Al Qaeda and extremists in the Taliban.

Map 1. Pakistan's Four Provinces, Capital Territory, and the FATA<sup>30</sup>



This harsh border region, originally drawn to divide the Pashtun tribes between Pakistan and Afghanistan, also splits villages in half and follows no specific terrain features. It has long been a fluid boundary across which insurgents make incursions from Pakistan. "There's no border security, there's no border guards, there's no border control. ...Historically, Pakistan has had minimal control over the fiercely independent Pashtuns."<sup>32</sup> Pakistan's tribal areas were further radicalized

<sup>29</sup> Central Intelligence Agency, "The World Factbook: Pakistan," CIA, 2008, <<https://www.cia.gov/library/publications/the-world-factbook/geos/pk.html>> (April 2 2008).

<sup>30</sup> Martin Frost, "Tribal Areas," The Frost Blog, 2008, [http://www.martinfrost.ws/htmlfiles/nov2007/tribal\\_areas.gif](http://www.martinfrost.ws/htmlfiles/nov2007/tribal_areas.gif) (April 15 2008).

<sup>32</sup>Carin Zissis and Jayshree Bajoria, "Pakistan Tribal Areas," Council on Foreign Relations, October 26 2007, <[http://www.cfr.org/publication/11973/tribal\\_areas\\_of\\_pakistan.html?breadcrumb=%2Fissue%2F135%2Fterrorism](http://www.cfr.org/publication/11973/tribal_areas_of_pakistan.html?breadcrumb=%2Fissue%2F135%2Fterrorism)> (April 25 2008).

during the 1980s when the Pakistani state, along with the U.S. and others, supported the Afghan jihad against the Soviets. Another factor President Musharraf had to deal with is the very high level of anti-U.S. sentiment within Pakistan, including the Pakistan military and intelligence (ISI) communities. This sentiment stemmed partly from the U.S. desertion of Pakistan following the Soviet withdrawal but later would grow following the U.S. invasion of Iraq.

Musharraf's commitment to the U.S. gained praise following a January 2002 broadcast to the nation in which he condemned the "violence and terrorism that has been going on for years," adding that Pakistan was "weary and sick of the Kalashnikov culture."<sup>33</sup> Within this speech, President Musharraf banned two militant groups, Lashkar-e-Toiba and Jaish-e-Mohammad, and took positive steps to curb religious extremism.

Pakistan subsequently held general elections for the first time under Musharraf's military regime in October 2002. This move signaled to the U.S. that Pakistan was moving toward democracy. The U.S. responded by increasing foreign military sales agreements with Pakistan. In 2003, President Bush also lifted sanctions imposed after the 1999 bloodless coup that brought President Pervez Musharraf to power. A White House statement said President Bush decided to lift the sanctions because it would help "facilitate the transition to democratic rule in Pakistan" and assist in efforts to fight international terrorism. President Bush further announced a five-year, \$3 billion economic and military aid package for Pakistan during President Pervez Musharraf's visit to the U.S. in June 2003.

While these arrangements were being made, the North-West Frontier Province of Pakistan voted to introduce Sharia law. At the same time, tensions between Kabul and Islamabad reached alarming levels, with "some top Afghan officials accusing Pakistan of destabilizing Afghanistan. In an unprecedented show of force, Musharraf moved some twenty-five thousand Pakistani troops into the traditionally semi-autonomous tribal areas."<sup>34</sup> Furthermore, complaints began to surface from U.S. military commanders that members of Al Qaeda and the Taliban attacked coalition troops in Afghanistan and then escaped across the Pakistan border. They urged Islamabad to do more to secure its western border including the FATA and the North-West Frontier Province. Ensuing army operations in the tribal areas for several months sparked increased resentment among locals.

Despite cooperation between the U.S and Pakistan, civil unrest in Pakistan continued to escalate with multiple suicide bombings between

---

<sup>33</sup> Caravelli, "Understanding the Threat from Rogue Nations and Terrorists: Pakistan."

<sup>34</sup> Bajoria, "U.S. involvement in Pakistan," 2003.

religious factions, tribal murders, and growing protests. Additionally, anti-U.S. sentiment continued to grow due to President Musharraf's strong-arm tactics in the western border area in support of the U.S., and Musharraf's popularity quickly declined.

To add to President Musharraf's list of problems, questions were raised regarding whether he was doing all he could to assist U.S. counterterrorism efforts—concerns reinforced by the Pakistan leader's decision to sign a peace deal with pro-Taliban militants in Fall 2006. The brokered agreement called for tribal leaders in the North Waziristan region of Pakistan to cease terrorist activities in exchange for the pullback of Pakistani military units operating in the region. The Pakistani government further added a provision allowing foreigners to stay in Pakistan if they obeyed the law.<sup>35</sup>

By January 2007, the head of U.S. National Intelligence claimed that Al Qaeda leaders were hiding out in Pakistan, a claim the Pakistan government vehemently denied. Throughout 2007, the domestic situation in Pakistan began to slowly spiral out of control. First, bombings in February across the country killed nearly 100 Pakistanis. In March, nearly 250 people were killed in fighting between South Waziristan tribesman and Al Qaeda linked militants. The Red Mosque in Islamabad had continually riled authorities and tension mounted in Islamabad, as well.

It was during this tumultuous time that ex-Prime Minister Benazir Bhutto returned from exile, but was assassinated not long after at an election campaign rally in Rawalpindi. Many in Pakistan were devastated by her assassination, and her death was followed by rioting and violence in many parts of the country. Along the border, due to the rise in domestic issues elsewhere, insurgents began to openly challenge the Army in the tribal region of South Waziristan. Amid concerns that Pakistan was facing a tough fight against militants and Al Qaeda in the tribal areas, the United States reaffirmed it remained ready, willing, and able to provide military support and to conduct joint operations in Pakistan. This, of course, would require the consent of Pakistan, which was (and still remains) sensitive to any U.S. military presence.<sup>36</sup>

Pakistan elections took place on February 18, 2008. The two main opposition parties gained a majority and formed a coalition government with Yusuf Raza Gillani as the new Prime Minister. The new government initially signaled that it would review its policy of cooperating with the United States in counterterrorism efforts. Pakistan's civilian leaders have stated that they want direct talks with militants, many of whom they believe they can bring back into the fringe of civilized society.

---

<sup>35</sup> Caravelli, "Understanding the Threat from Rogue Nations and Terrorists: Pakistan."

<sup>36</sup> Bajoria, "U.S. involvement in Pakistan," 2008.

## **Pakistan after Musharraf**

With the recent resignation of President Musharraf, the “new” players in Pakistan’s politics will face numerous daunting challenges both internally and externally. Currently, the U.S. is very unpopular in Pakistan and in most other primarily Muslim countries around the world. President Musharraf’s popularity decline and subsequent resignation was, in part, due to his participation in the War on Terror, which is almost universally viewed in Pakistan as a U.S. war in which Pakistan is taking part. They have an insurgent population, primarily situated along the border that is growing. They are plagued by poor economic conditions. There are limited education opportunities, with thousands of madrasahs teaching only Islam, and young children are being recruited directly out of these schools. A desolate refugee crisis with more than two million Afghans in camps in Pakistan has created a haven for extremist recruiting, weapons, drugs, and other problems. Pakistan’s insurgents pose a problem not only internally, as evidenced by the recent assassination of Benazir Bhutto, but also in Afghanistan and around the world. Pakistan still faces the problem of the nagging, and sometimes violent, clashes with India. Most recently, they have faced rising political pressure from the U.S. to do more to secure the border and take steps to kill and capture insurgents along the border.

## **Terrorist Groups in Pakistan’s Tribal Areas**

In their annual report on terrorism released in April 2007, the State Department labeled the FATA as a safe haven for Al Qaeda, the Taliban, and other militants after 9/11<sup>37</sup>:

“[M]ost militants, including those in Al-Qaeda, fled eastwards into western Pakistan, further destabilizing the tribal areas. Having served as the logistical route for weapons to the mujahedeen, experts say, the area is awash with small weapons and the current population of more than a million men under the age of twenty-five grew up carrying weapons. The tribal areas also became critical to the illicit drug trade and criminalized economies of the region. Counterterrorism experts say these traditional smuggling and criminal activities continue to fund the militants.”<sup>38</sup>

---

<sup>37</sup> Office of the Coordinator for Counterterrorism, U.S. Department of State, “Country Reports on Terrorism,” Department of State, 2007, <<http://www.state.gov/s/ct/rls/crt/2006/82734.htm>> (April 17 2008).

<sup>38</sup> Anthony H. Cordesman, “The Afghan-Pakistan War: Threat Developments,” Center for Strategic and International Studies, 2008, <[http://www.csis.org/media/csis/pubs/o80201\\_afghanthreat.pdf](http://www.csis.org/media/csis/pubs/o80201_afghanthreat.pdf)> (April 19 2008).

Pakistan's military action into these areas is creating resentment among all of the groups and some sympathizers. Recently, these terrorist groups have emerged or reconstituted themselves in a more violent fashion, and they are far less amenable to political solutions than their predecessors.<sup>39</sup>

Al Qaeda and its affiliates are believed to be using the tribal areas in Pakistan as a training base and sanctuary. In terms of their relationship with the Taliban, they support and strongly influence, but they do not control the actions of the Taliban. Al Qaeda provides funding for training and obtains foreign volunteers to fight against U.S. and NATO forces in Afghanistan and around the globe. Much of their funding comes from narcotics trade through this region and the Taliban and Al Qaeda are a significant ideological force.

The Taliban has emerged as a dichotomous entity in Pakistan. There are those that are described as the "Afghan Taliban" who are the "original Taliban movement and especially its Kandahari leadership centered on Mullah Mohammad Omar, believed to be now living in Quetta."<sup>40</sup> The Afghan Taliban only fights in Afghanistan and stays away from involvement in Pakistan. This group is of great concern to coalition forces, as it is not the primary target of Pakistan's counter-insurgency efforts since they live peacefully while inside Pakistan.

The second group, the Pakistani Taliban, is composed of groups of extremist in the FATA, led by militants such as Maulana Faqir Muhammad and Maulana Qazi Fazlullah of the Tehrik-e-Nafaz-e-Shariat-e-Mohammadi (TSNM), Baitullah Mehsud, the chieftain of the Mehsud tribe in South Waziristan, and Mangal Bagh Afridi of the Lashkar-e-Islami in the Khyber Agency. The Pakistani Taliban has effectively established itself as an alternative to the traditional tribal elders. They established their authority by killing some 200 tribal leaders. These indigenous Taliban groups then formed a coalition in late 2007 under Tehrik-i-Taliban Pakistan (TTP) and established a shura (consultative council) of some 40 senior Taliban leaders under the militant leader Baitullah Mehsud from South Waziristan.<sup>41</sup>

Estimates of Pakistani Taliban forces range from 30,000 to 35,000 members. The TTP has committed to a defensive jihad against the Pakistani army, enforcement of Shariah law, and a plan to unite against

---

<sup>39</sup>Robert Grenier, Daniel Markey, and Nicholas Schmidle, "Continuing Challenges for U.S. Foreign Policy: Pakistan [Rush Transcript; Federal News Service]," Council on Foreign Relations, February 26 2007  
<[http://www.cfr.org/publication/15610/continuing\\_challenges\\_for\\_us\\_foreign\\_policy.html](http://www.cfr.org/publication/15610/continuing_challenges_for_us_foreign_policy.html)> (April 25 2008).

<sup>40</sup> Jayshree Bajoria, "Pakistan's New Generation of Terrorists," Council on Foreign Relations, February 6, 2008, <<http://www.cfr.org/publication/15422/>> (April 10 2008).

<sup>41</sup> *Ibid.*



NATO forces in Afghanistan. Mehsud, the group's leader, has been accused by Pakistani authorities of assassinating former Prime Minister Benazir Bhutto in December 2007.<sup>42</sup>

The revived Taliban movement is full of individuals that are younger, fiercer, and impatient for results. Those traditional intermediaries between the Taliban and the establishment are being displaced by a younger generation of more violent radical leaders who are in a hurry and have no patience for compromise with the state. This new generation of terrorists is more willing to engage in suicide attacks, a practice influenced by Al Qaeda.

The emergence of the Taliban has disrupted the political balance in the tribal areas to the point where some tribal leaders have been killed for questioning the Taliban's growing power or working too closely with Islamabad.<sup>43</sup> Again, in 2006, President Musharraf attempted to negotiate with this group in order to restore the traditional tribal structure of the FATA.<sup>44</sup> While these negotiations have been largely ineffective, the new government plans to continue the dialogue. Today's Taliban has a much more vigorous political agenda.

## **U.S. and Pakistan – A Way Ahead**

The Afghan-Pakistan border region is where Al Qaeda plotted the 9/11 attacks. Because of its rugged terrain, inaccessibility, and lack of governance, it has provided a safe-haven to Al Qaeda to continue to train and plan new attacks. It is where the U.S. and its allies believe that Osama bin Laden still lives and operates. It is the nucleus around which the radical Islamic movement has spread, and it is the center of gravity in the War on Terror. After seven years of operations by the U.S., Pakistan and coalition forces, this area remains “a freeway of fundamentalism — with the Taliban and Al Qaeda now finding sanctuary on the Pakistan side — and where the suicide bombers they recruit and train wreak havoc in Afghanistan and, increasingly, within Pakistan.”<sup>45</sup>

The U.S. has sought the assistance of Pakistan to deprive Al Qaeda of the sanctuary along the country's rugged border with Afghanistan, and to stem the tide of successes the Taliban has achieved in attacks along the border.<sup>46</sup> The view that Al Qaeda must be eliminated is a constant. The view that the Taliban are enemies of Pakistan is somewhat more

---

<sup>42</sup> *Ibid.*

<sup>43</sup> Zissis and Bajoria, “Pakistan Tribal Areas,” topic 1.

<sup>44</sup> K. Alan Kronstadt, “Pakistan-U.S. Relations: Terrorism.” CRS Report for Congress, June 6 2007, p. 15, <<http://www.fas.org/sgp/crs/row/RL33498.pdf>> (April 13 2008).

<sup>45</sup> Biden, “U.S. Policy Options in Post-Election Pakistan,” p.2.

<sup>46</sup> Ingrid Formanek, “Musharraf faces call to resign,” CNN, February 19 2008, <<http://www.cnn.com/2008/WORLD/asiapcf/02/19/pakistan/index.html>> (April 14 2008).

controversial. The U.S. accuses Pakistan's field officers of loyalty to their tribes versus loyalty to the government of Pakistan. Regardless of the cause, the Taliban have deepened their entrenchment in Pakistan's tribal areas and are showing signs of a mature insurgency. This neglect is seen by some as responsible for the continuing regeneration of Al Qaeda in Afghanistan. To make matters worse, members of Pakistan's vital intelligence services are said to be assisting the fundamentalists still.

Pakistan's effort in the War on Terror is vital. Over 85,000 Pakistani troops are currently deployed along the Afghan-Pakistan border, and more than 1,200 of them have already sacrificed their lives in counterterrorism operations, as compared to the approximately 500 U.S. casualties in Operation Enduring Freedom.<sup>47</sup> Pakistan has granted overflight rights, allowed the U.S. forces use of two Pakistani airfields, and shared intelligence about suspected terrorists. They have worked with the FBI to capture suspected Al Qaeda and Taliban fugitives who fled into northern Pakistan and in some cases, committed its own troops to hunt down Al Qaeda operatives such as Khalid Sheikh Muhammad and Rams Binalshibh to disperse further into Pakistan where their surroundings are less congenial to their extremist ideologies. These collective efforts and results have now made Islamabad a target for terrorist activities from multiple groups.

While the Pakistani government struggles to deal with the turbulence in the region, there is increasing concern that Pakistan's army does not have the capacity to fight an insurgency within its borders. Militants, with increasing regularity, target the army with suicide attacks. The August 2007 kidnapping of approximately 250 soldiers by Baitullah Mehsud in FATA's South Waziristan was a huge disconcertion for Pakistan. In order to secure the release of its soldiers, the Pakistani government had to release twenty-five militants associated with Mehsud. Not only are the tribal areas challenging the army, the settled areas of NWFP are increasingly being targeted by militants. In 2007, Maulana Fazlullah's militant group, TSNM, seized control of large portions of the Swat valley, which was previously recognized as a tourist destination. After an extended fight, the Pakistani army retook the area; however, hundreds of militants likely continue to operate there.<sup>48</sup>

The widespread outcry in the frontier areas against the U.S. war in Iraq, coupled with the growing perception that Pakistan is prosecuting a U.S. war, has only strengthened the determination of the extremists filling that power vacuum.<sup>49</sup> Given the growing resentment over the

---

<sup>47</sup> Tellis, "Pakistan's Record on Terrorism: Conflicted Goals, Compromised Performance," p.12.

<sup>48</sup> Bajoria, "Pakistan's New Generation of Terrorists," topic 6.

<sup>49</sup> Tellis, "Pakistan's Record on Terrorism: Conflicted Goals, Compromised Performance," p.8.

War on Terror in Pakistan, it is unlikely the new government will move as aggressively on counterterrorism issues as the U.S. would like without significant additional support.<sup>50</sup>

As the new, democratically elected government transitions in Islamabad and with a new U.S. administration in the offing, the U.S. has an opportunity to realign its interests and solidify its commitment to Pakistan. In doing so, the U.S. must do a better job considering Pakistan's situational perspective (both internal and regional), as well as its perception of the U.S. foreign policy track record regarding Pakistani interests. The U.S. must prepare to make an enduring commitment to Pakistan. Direct military action to rid the Taliban and Al Qaeda from the region will likely prove impossible as long as Islamabad doubts the U.S. level of commitment and underlying intent. The U.S. can no longer afford to repeatedly walk away from Pakistan without seriously destabilizing the region and further deteriorating U.S. regional and international peace interests.

Along with enhanced military support, building capacity in Pakistan's governmental/service institutions and improving economic conditions are related to securing success. Pakistan's ability to defeat the insurgency in the FATA is directly related to a stable security environment and improved economic outlook within the country. As such, the U.S. must support the building of institutional capacities. The U.S. should take Senator Biden's advice, and first expand non-military assistance from approximately \$500 million to \$1.5 billion and sustain it for a decade. Focus the aid on schools (alternative to the madrasahs), building infrastructure and clinics, and expanding the development of the tribal border areas. Long-term prospects for economic prosperity in the tribal areas hinges on developing local land trade links, which would connect markets and resources to the wider regional economy.<sup>51</sup> Furthermore, development assistance represents a valuable, indirect means for empowering and building influence with tribal leaders and is likely to help tribal leaders win public support against the insurgents—particularly amongst the young, who otherwise have few choices but to carry a gun.<sup>52</sup> Next, the U.S. should give the new government – as long as it is run in a way that is consistent with democratic principles – a democracy dividend of \$1 billion above and beyond the enhanced assistance package just mentioned to stimulate more direct economic activity.<sup>53</sup>

Strengthening Pakistan's democracy, and demonstrating—with America's sustained assistance—that the government of Pakistan is

---

<sup>50</sup> Formanek, "Musharraf faces call to resign," p.1.

<sup>51</sup> Daniel Markey, "Securing Pakistan's Tribal Belt", U.S. Council on Foreign Relations: Center for Preventive Action, CRS No. 36, August (2008): 46.

<sup>52</sup> *Ibid*, 33.

<sup>53</sup> Biden, "U.S. Policy Options in Post-Election Pakistan," p.3.

looking out for the best interests of its people, may prove to be the strongest facilitator in accomplishing Pakistan, Afghanistan, and U.S. regional objectives in the Global War on Terror. Again, the U.S. must make a long term, enduring commitment. Additionally, restructuring government administrative institutions in the FATA, and improving Pakistan's capabilities with their current counterterrorism intelligence is also necessary.

The War on Terror in the Afghan/Pakistan border region must be placed increasingly on Pakistan to be truly effective. However, the U.S. must assist Pakistan in winning over the hearts and minds of Pakistanis and FATA tribal leaders, and ultimately try to return ownership of their tribal area. This will require continuous dialogue and (again) military/economic assistance. Violence in the tribal areas must be addressed through dialogue and military means before economic means can ultimately work. Capacity-building programs for the provincial governments and greater coordination and integration of the various security forces in the tribal areas must be implemented. Additionally, in a society where revenge is deeply ingrained in the tribal psyche, diplomatic and military collateral damage must be avoided to the greatest extent possible to keep the support of the population, in and outside of the border region.

Pakistan's military is one of the most important, respected, and oftentimes the "only effectively functioning institution in the country. Although troubled by corruption and ethnic, sectarian and linguistic divisions, Pakistan's military still reliably operates in the national interest."<sup>54</sup> The relationship between the military and Pakistan's population is vital to maintaining a moderate Islamic state. The insurgents' attempts to exploit situations to cause conflict between the two elements could cause real damage to Pakistan's stability, and the military is cognizant of this fact.<sup>55</sup> The U.S. should focus on building Pakistan's capacity to fight this insurgency and bridging the differences between Afghanistan and Pakistan, emphasizing Pakistan's sovereign responsibility to combat threats to international peace and security within its borders. The Pakistani Army must further transition from a force focused on conventional warfare with India to a force focused on a growing internal threat. Pakistan's constant and lasting conflict over

---

<sup>54</sup> Michael Scheuer, "Musharraf and Pakistan's Military Try to Restore Security amidst Rising Anti-U.S. Sentiment," *The Jamestown Foundations*, Vol V, Issue 9, March 4 2008, p.6, <[http://www.jamestown.org/terrorism/news/uploads/tf\\_005\\_009.pdf](http://www.jamestown.org/terrorism/news/uploads/tf_005_009.pdf)> (April 25 2008).

<sup>55</sup>Jehangir Karamat, Anthony Zinni, and Richard Armitage "The U.S.-Pakistan Strategic Relationship" Panel Proceeding Transcripts, the Brookings Institution, February 2008, p. 25, <[http://www.brookings.edu/~media/Files/events/2008/0206\\_pakistan/20080206\\_pakistan.pdf](http://www.brookings.edu/~media/Files/events/2008/0206_pakistan/20080206_pakistan.pdf)> (April 15 2008).

Kashmir will continue to distract the Pakistani government and prevent the Pakistanis from using all of their assets to focus on the extremists in the tribal areas.

One approach taken by Islamabad that may prove effective in the end is to maximize the use of the Frontier Corps, Pakistan's paramilitary organization that operates in the FATA. They have proven crucial in the past because of their local language skills and familiarity with the local terrain. The major issue with the extensive use of the Frontier Corps is that it is "inadequately trained and equipped and has been ill-prepared for [large-scale] counter-insurgency operations in FATA." Members of this organization were used to train the Taliban in the 1990s, and many are suspected of still having ties to that organization. These frontier forces, left on their own, may otherwise increase their influence over ungoverned areas, and may eventually challenge the central government itself. In spite of these suspicions, but with appropriate oversight, the U.S. should significantly increase current military assistance to the Frontier Corps above the levels proposed by U.S. Special Operations Command to train and arm tribal leaders to fight Al-Qaeda and Taliban—and provide a \$750 million aid package for improving law enforcement and local security capacity along the border area over the next five years.<sup>56</sup> In other words, the United States can help by refocusing its military assistance to Pakistan on equipment and training for counterinsurgency—not additional supplies of supersonic strike aircraft.<sup>57</sup>

The U.S. should allow Pakistan to secure the Pakistan side of the border while focusing on building the military capacity of the Afghans on the Afghanistan side of the border. In January 2008, news reports stated that the U.S. was considering conducting cross-border operations into Pakistan's tribal areas. This drew angry reactions from Pakistani authorities, and analysts said it would only further destabilize the country.<sup>58</sup> The U.S. should not succumb to the short-term victory of cross-border operations to the detriment of our long-term objectives. It is counterproductive amid the current political environment in Pakistan for the U.S. to publicly pressure Pakistan to allow these incursions.

Finally, the government of Pakistan is democratically elected, and support for the government and its approach to diplomacy is essential to its success. With the recent elections, it is important to consider that just and fair political representation and the development of open lines of

---

<sup>56</sup> Bajoria, "Pakistan's New Generation of Terrorists," topic 6.

<sup>57</sup> Timothy Hoyt, "Pakistan and the United States: Rebalancing the Relationship," January 2008, <[http://www.americansecurityproject.org/pakistan\\_and\\_united\\_states\\_rebalancing\\_relationship](http://www.americansecurityproject.org/pakistan_and_united_states_rebalancing_relationship)> (April 25 2008).

<sup>58</sup> Bajoria, "Pakistan's New Generation of Terrorists," topic 6.

communication will lead to good and accountable governance that will further separate the populace from the terrorists.<sup>59</sup> The U.S. must allow Pakistan the freedom to conduct dialogue with moderates in the Taliban. This will bring the moderate groups within the FATA, as well as other parts of Pakistan back into the national mainstream as productive members of society. Allowing dialogue empowers Pakistan to shun militancy, and extremism and to take the path of socioeconomic development and stability that will benefit the Pakistani people. This must also include a societal transformation into a moderate and progressive Islamic state that is well linked to the international community, and can serve as a model for other Muslim countries to follow.<sup>60</sup>

---

<sup>59</sup> Iqbal and Filiberti, "Effects of International Terrorism on the Security of Pakistan," p.16.

<sup>60</sup> *Ibid*, p.8.

# Post-war Reconstruction in Afghanistan and the Changing NGO-Government Relationship

Šárka Waisová\*

## ABSTRACT

Previous experiences with post-war reconstruction may lead us to the conclusion that NGOs could play a positive role in conflict management. However, after monitoring and analyzing post-war reconstruction in several countries (Afghanistan, Bosnia, Iraq), this article concludes that the initial positive attitude of governmental representatives towards cooperation with NGOs in post-war reconstruction is starting to wane. What is the reason for the current skepticism towards NGOs and the tensions governments and NGOs? This article looks at the relationship between the Afghan central government, local communities and NGOs and the existing tensions between them.

*Keywords* • Afghanistan • Government • NGO • Post-Conflict Reconstruction • Aid

## Introduction

The lessons learnt from failures and tragedies of interventions in the Former Yugoslavia, Somalia, Rwanda, Angola and other countries in the 1990s led many governments to reassess their attitudes towards traditional military and diplomatic mechanisms of armed conflict management. It became evident that the capacity, authority and capabilities of states and inter-governmental organizations (IGOs) to intervene in areas affected by large-scale armed conflict were either limited or insufficient. These findings induced most states and international organizations to rethink their approaches to armed conflict management as well as the timing and nature of projects. Most states accepted the idea that long-lasting security could only be attained through timely and pro-active actions, especially in the sphere of conflict prevention. A presence of stabilizing actors in the mid- to long-term and

---

\* Šárka Cabadová Waisová (waisova@kap.zcu.cz) is the Head of Department of Politics and International Relations, Faculty of Philosophy, University of West Bohemia in Pilsen (Czech Republic) and Senior Analyst of VADIS Analytical Ltd. The study is part of project No. 407/06/P008 “The Role of NGOs in Post-Conflict Reconstruction” supported by The Czech Science Foundation.

support of socio-economic development in post-conflict areas were also considered important. Moreover, non-governmental organizations (NGOs)<sup>1</sup> became partners in armed conflict management, violence-prevention, and post-war reconstruction.<sup>2</sup>

While the government-NGO partnership used to evoke distrust before 1990,<sup>4</sup> cooperation became more commonplace during the 1990s. An array of NGOs established solid partnerships with business companies – CARE (*Cooperative for American Relief Everywhere*), for instance, signed an agreement with *Cable & Wireless*, as did the American Red Cross with IBM and CNN, and similarly *China Foundation for Poverty Alleviation* and *Mercy Corps* with Nike<sup>5</sup>. NGOs have traditionally influenced politics through criticism and lobbying but they are now becoming more and more independent actors on their own, undertaking various tasks including project implementation on behalf of governments and international organizations<sup>6</sup>.

Although many decision-makers still maintain a reserved posture towards NGOs, a positive role of NGOs in peace-building, reconstruction, and humanitarian work has been widely noted. International NGOs cooperate with governments and IGOs and even serve as their contractors in many cases. Some governments perceive NGOs to have better logistic capabilities at the local level than governments and international institutions and that they are more effective and enjoy more trust among the local population. Moreover, the transfer of project implementation to NGOs enables governments and

---

<sup>1</sup> To define “non-governmental organization” is not an easy task – compare e.g. K. Martens, “Mission Impossible? Defining Nongovernmental Organizations,” *Voluntas: International Journal of Voluntary and Nonprofit Organizations* 13, 3 (2002), pp. 271-285, Ch. F. Alger, “The Emerging Roles of NGOs in the UN System: From Article 71 to a People’s Millennium Assembly,” *Global Governance* 8 (2002), pp. 93-117. Here, NGO is any organization that is non-profit and non-governmental entity.

<sup>2</sup> The trend is confirmed by the increasing participation of NGOs in the programs and projects of the World Bank and UN, or by the fact that the volume of resources provided by OECD and EU Member States, intended for development and humanitarian projects implementation and channeled through NGOs, has reached almost half of the total development/humanitarian funding provided by these organizations.

<sup>4</sup> In many cases NGOs were used during the Cold War as channels for financial and material support to warring parties and this was also the case in Afghanistan during the 1980s.

<sup>5</sup> See e.g. R. Cowe, “Business/NGO Partnership – What’s the Payback? Ethical Corporation,” April 2004, <[www.globalpolicy.org/ngos/credib/2004/0404partner.htm](http://www.globalpolicy.org/ngos/credib/2004/0404partner.htm)> (March 13 2007).

<sup>6</sup> The main reason for this could be found in a professionalization of most NGOs, which became vehicles of knowledge and information, of a change in intergovernmental systems, democratization, the Information Revolution, societal transformations with an increase in number of university graduates, a ‘revolution’ in the concept of organized civil society and a change in grant conditions for humanitarian and development aid. Compare S. Carapico, “NGOs, INGOs, GO-NGOs and DO-NGOs: Making Sense of Non-Governmental Organizations,” *Middle East Report* 214 (2000), p. 13.



international institutions to reduce costs and risks. One of the most dynamic domains of the government-NGO partnership is in post-war reconstruction. For example, NGOs played vital roles in the reconstruction of Bosnia and Herzegovina, Angola, East Timor, Haiti, Salvador and many other countries.<sup>7</sup>

Previous experiences with post-war reconstruction lead most observers to conclude that NGOs do play a positive part in conflict management. That this is a dominant mode of thinking in the discourse of conflict resolution is supported both by a significant amount of theoretical studies<sup>8</sup> and political documents.<sup>9</sup> However, after monitoring and analyzing post-war reconstruction in several countries (Bosnia and Herzegovina, Angola, Afghanistan and Iraq<sup>10</sup>) this author came to the conclusion that the initially positive attitudes from governmental representatives towards cooperation with NGOs in post-war reconstruction have begun to wane. What is the reason for the current skepticism towards the government-NGO relationship and the role of NGOs after more than a decade of relatively successful cooperation in post-conflict reconstruction? This article will offer one possible answer to this question by examining the post-war reconstruction of Afghanistan.

There are three factors that have contributed to the tense relationship between the Afghan government and NGOs: First, the neutrality of NGOs is questioned because of their cooperation with Provincial Reconstruction Teams (PRTs) and coalition armed forces; second, NGO criticisms of government render them unpopular with the latter; third, and related, NGOs have capacities and resources that the state authorities largely lack while the authorities have few means to influence or control NGO activities. The Afghan government fears that the activities of

---

<sup>7</sup> Compare e.g. P. van Tongeren, B. Malin, M. Hellema and J. Verhoeven (eds.), *People Building Peace II. Successful Stories of Civil Society* (Lynne Rienner Publishers, 2005).

<sup>8</sup> Mary B. Anderson, "Humanitarian NGOs in Conflict Intervention", in Chester Crocker, Fen Osler Hampson and Pamela Aall, (eds.), *Turbulent Peace. The Challenges of Managing International Conflict* (USIP, 2000), p. 637-648; Vesna Bojčić-Dzelilović, "World Bank, NGOs and the Private Sector in Post-War Reconstruction," in E. Newman and A. Schnabel (eds.), *Recovering From Civil Conflict. Reconciliation, Peace and Development, International Peacekeeping, Special Issue*, 9, 2 (2002), pp. 81-98; Louise Diamond and J. McDonald, *Multi-Track Diplomacy. A System Approach to Peace* (Kumarian Press, 1996); John Paul Lederach, *Levels of Leadership*, in Luc Reychehr and Thania Paffenholz (eds.), *Peace-Building. A Field Guide* (Lynne Rienner Publishers, 2001), pp. 145-156.

<sup>9</sup> "Africa and the European Union," European Commission, DE 117, May 2003; "An Agenda for Peace. Preventive Diplomacy, Peacemaking and Peacekeeping," < [www.un.org/docs/SG/agpeace.html](http://www.un.org/docs/SG/agpeace.html) > (January 2 2007); "Angola. Transition and Development Assessment. The war is over, peace is here to stay," (USAID, 2002); K. Annan, *Common Destiny, New Resolve. Annual Report on the Work of the Organization 2000* (United Nations, 2000).

<sup>10</sup> See Šárka Waisová, *Poválečná obnova a budování míru. Role, funkce, možnosti a omezení mezinárodních nevládních organizací* [Post-conflict reconstruction and peacebuilding. The roles, functions and limits of INGOs] (International Institute of Political Science, 2008).

NGOs could weaken its already fragile position and help oppositional groups gain power.

This article will first provide a short history of NGO activities in Afghanistan during the 1980s and after the Taliban came to power in 1996. This historical overview is important since Afghanistan's previous experiences with NGOs have a decisive impact on today's perception of NGOs in the country. The second part will focus on Afghanistan's post-conflict reconstruction after the fall of the Taliban, with a primary focus given to NGO activities and their relationship with the Afghan government.

### **NGO Action in Afghanistan in the 1980s and After the Taliban Takeover: Politicizing NGO Activities**

Afghan society has a lot of experience with NGOs because international humanitarian and development-oriented NGOs have worked in the country since the early 1980s. The activities of these organizations were mainly concentrated on providing relief for the refugee flows which followed the Soviet intervention. Domestic and international NGOs served as the principal providers of humanitarian aid and medical care in refugee camps in Afghanistan as well as on the Afghan-Pakistani border for more than three decades. As the security situation deteriorated in the late 1980s, UN agencies withdrew from the country and NGOs were the only organizations left to provide assistance.<sup>12</sup>

The specific political context and history of Afghanistan, shaped by, among other things, the Cold War, has politicized humanitarian and development assistance which has adverse consequences for the activities of international NGOs in the country .

In the 1980s there were more than 200 international NGOs providing assistance to refugees and internally displaced persons, working both in Afghanistan and in neighboring countries, particularly Pakistan.<sup>13</sup> NGOs organized and undertook both direct fieldwork on Afghan territory and the Afghan-Pakistani border while a large international advocacy and lobbyist campaign strived to end the war. Afghan refugees were also helped by Pakistani authorities, the UNHCR, and the U.S. government. However, in the first half of the 1980s, all three actors changed their strategies and began to channel assistance to Afghan refugees and displaced persons through NGOs. The U.S. Congress approved this shift

---

<sup>12</sup> The Ministry of Foreign Affairs of Denmark, "A Joint Evaluation. Humanitarian and Reconstruction Assistance to Afghanistan, 2001-2005 from Denmark, Ireland, the Netherlands, Sweden and the United Kingdom," 2005, <[www.um.dk/NR/rdonlyres/F48036CB-D540-41D0-8AC3-AED57D551194/o/Afghanistan\\_summaryReport.pdf](http://www.um.dk/NR/rdonlyres/F48036CB-D540-41D0-8AC3-AED57D551194/o/Afghanistan_summaryReport.pdf)> (January 17, 2008).

<sup>13</sup> H. Baitenman, "NGOs and the Afghan war: the politicization of humanitarian aid," *Third World Quarterly* 12, 1 (1990), p. 62.

in U.S. strategy in Afghanistan in 1980. Some of the NGOs funded by the U.S. government were CARE, Catholic Relief Services, Church World Services, International Rescue Committee, and the Salvation Army.<sup>14</sup>

Although NGOs initially only provided humanitarian assistance in Afghanistan they later started to undertake projects related to development. Unlike the UN's wider geographical scope covering all neighboring countries and Afghan provinces, NGOs concentrated only on a few regions. These were mostly regions considered relatively safe with at least some basic infrastructure enabling the distribution of aid. The safety of NGO workers on the Afghan territory was partly secured by the bribing of field commanders.<sup>15</sup> Gradually, NGOs became important channels for the U.S. and other Western countries in the transfer of material and financial resources to Afghan field commanders. The U.S. and Western European NGOs (British *Afghanaid*, French *Afrane*) cooperated with the Northern Alliance from the mid-1980s, whom they supplied with food, medical material and other resources.<sup>16</sup> In the late 1980s, NGOs worked directly with field commanders as the structures of the Northern Alliance had become increasingly corrupt and distribution through this channel was considered inefficient by NGOs.

The ban imposed on NGOs in Afghanistan in the 1980s forced NGOs to operate illegally, both on Afghan territory and in Pakistan.<sup>17</sup> Furthermore, as Pakistan closed the border with Afghanistan, NGOs were made fully dependent on the corruption of Pakistani police and local officers who would overlook unauthorized border crossings (including transports of food and money supplies), and on Afghan field commanders cooperation. The Pakistani government, for its part, has since the mid-1980s tried to maintain control over NGO activities on its territory by demanding registration of them. It also decided which types of projects and in which locations implementation would eventually be allowed.<sup>18</sup>

Advocacy NGOs from the U.S. and Western European countries (e.g. *United States Council for World Freedom* or *Committee for a Free Afghanistan*)<sup>19</sup> has contributed significantly to the politicization of NGOs in Afghanistan and to the erosion of NGO neutrality. Even if primarily advocating the protection of refugees and internally displaced persons in

---

<sup>14</sup> *Ibid*, p. 66.

<sup>15</sup> *Ibid*, p. 69.

<sup>16</sup> *Ibid*. See also *Afghanaid* history, <[www.afghanaid.org.uk/pages/our\\_history.html](http://www.afghanaid.org.uk/pages/our_history.html)> (September 26 2008)

<sup>17</sup> The International Rescue Committee, <[www.theirc.org/where/the\\_irc\\_in\\_pakistan.html](http://www.theirc.org/where/the_irc_in_pakistan.html)> (November 28 2007).

<sup>18</sup> M. Monshipouri, "NGOs and Peacebuilding in Afghanistan," in F.H. Carey and O.P. Richmond, *Mitigating Conflict: the role of NGOs* (Frank Cass, 2003).

<sup>19</sup> Baitenman, "NGOs and the Afghan war: the politicization of humanitarian aid," p. 79.

the international arena, their agenda also included fighting the influence of the Soviet Union and the communization of Afghanistan. This resulted in the impression that their activities were perceived to be part of the overall containment of communism.

After the Taliban takeover, UN agencies withdrew from Afghanistan and other international organizations reduced their humanitarian and development aid, leaving NGOs the only providers of humanitarian, development as well as technical assistance in the country. The Taliban regime imposed systematic restrictions on NGO activities which complicated their work. Development organizations were outlawed while only humanitarian organizations were allowed to operate in the country.<sup>21</sup> By 1994, foreign NGOs had been told to close their offices and four years later the Taliban government had expelled, pushed out or discouraged most foreign NGOs from working in the country, with the partial exception of some Islamic charities.<sup>22</sup> These years were marked by expulsion of foreign NGO workers and persecution of their local employees. Many NGOs withdrew from the country voluntarily or in protest of this repression, if they had not yet been expelled by the regime.

Despite the unfavorable conditions, however, NGOs represented for a long time the driving force for humanitarian aid in the country and their extensive agenda also included everything from post-war reconstruction to education.<sup>23</sup>

Afghanistan's experience with NGOs during the civil war and the Cold War had significant impact on both the Karzai government's and Afghan peoples' attitudes towards NGOs. As will be discussed below, the helpfulness of Afghans and government representatives toward NGOs and their foreign workers has gradually weakened since 2001. While the fear NGOs has inspired among the Afghan population could be considered rather irrational and religiously motivated (NGO work was interpreted as Western expansionism and as a deceitful way of controlling Afghan society), the government rightly worried about NGOs' "subversive" and anti-government activities. Government representatives were afraid of linkages between NGOs and local commanders in territories beyond the government's control, fearing a situation in which official reconstruction funds would end up in the hands of oppositional groups.

---

<sup>21</sup> See Ministry of Foreign Affairs of Denmark, "A Joint Evaluation".

<sup>22</sup> E. F. Kohlmann, *The role of Islamic charities in international terrorist recruitment and financing* (Danish Institute for International Studies Working Paper No. 2006/7, 2006).

<sup>23</sup> *Ibid.*

## The Fall of the Taliban Regime and the Subsequent Reconstruction

The fall of the Taliban in 2001 opened opportunities for a peaceful Afghanistan and rebuilding of state and society after decades of war. The international community also mobilized a significant volume of funds and forces for the post-war reconstruction and peace-building in the country. Afghanistan became the largest recipient of foreign development aid and support in the world.<sup>25</sup> The U.S. is by far the largest donor in absolute terms but other major donors include Japan, the UK, the European Commission, the World Bank, Germany and Canada (see Table 1 below).

**Table 1.** International aid to Afghanistan<sup>26</sup>

Donor	Aid disbursed 2002-2008 (in million of USD)
US/USAID	5,022.9
Japan/JICA	1,393.5
UK	1,266.3
European Commission	1,074.1
World Bank	852.7
Germany	767.8
Canada	730.7
Asian Development Bank	547.8
Italy	424.4
Netherlands	407.1
Norway	277
Sweden	217.3

However, the post-war reconstruction has made slow progress because of continuing violence while the basic prerequisites for post-war reconstruction and peace-building remain unfulfilled. According to some observers, Afghanistan is slowly transforming into a black hole absorbing billions without any noticeable positive effect on the life of the population and stability of state institutions.<sup>27</sup>

<sup>25</sup> In absolute terms, not per capita.

<sup>26</sup> Afghan Ministry of Finance data, quoted in M. Waldman, "Falling Short. Aid Effectiveness in Afghanistan," ACBAR Advocacy Series (ACBAR, 2008), p. 25.

<sup>27</sup> L. Olson, "Fighting for humanitarian space: NGOs in Afghanistan," *Journal of Military and Strategic Studies* 9, 1 (2006) or A. Mojumdar, "Fighting 'NGOism'," *Hindu Business Line*, January 13 2006, <[www.globalpolicy.org/ngos/aid/2006/0113fighting.htm](http://www.globalpolicy.org/ngos/aid/2006/0113fighting.htm)> (March 13 2007).

In October 2006, the Afghan ambassador in the USA Ashraf Haidari stated that the accomplishment of short- and mid-term plans would require US\$5 billions annually. See "Five years on. Afghanistan's nation building, economic recovery and war against terror and drugs," *International Affairs Journal* 3, 1 (2007), p. 55.

Having learnt the lessons from the Former Yugoslavia, Somalia, Angola, East Timor and other countries, it became clear that the post-war reconstruction and peace-building in Afghanistan would be contingent on the effective end of the war, restoration of the rule of law, a long-term improvement of the population's security and economic situation, and through the establishment of a legitimate and functioning government. The sheer length of the conflicts plaguing Afghanistan had weakened state institutions to the extent that the legislative, executive and judicial functions were performed by regional tribal structures. The restoration of Afghanistan's central authority therefore required involvement of local "governments" and local leaders to such a degree that the central authority's legitimacy would be supported from the lowest societal levels and recognized by large groups of the population.

Afghanistan's post-war reconstruction and peace-building were launched in 2001, following the American intervention in Afghanistan and the takeover of Kabul. At the close of November 2001, the first donors' conference<sup>28</sup> was held in Washington during which the Afghanistan Reconstruction Steering Group (ARSG) was set up. UNDP, in turn, established the Afghan Interim Authority Fund (AIAF) in late 2001 to channel financial donations to support the start-up of interim state institutions.<sup>29</sup> The support was later taken over by the Afghanistan Reconstruction Trust Fund (ARTF). Established in May 2002, the ARTF was prepared and managed by the World Bank, the Asian Development Bank, the Islamic Development Bank and UNDP. The ARTF funds are, among other purposes, used to support the National Solidarity Programme (NSP). The program is designed to rebuild local infrastructure with direct participation of local communities.<sup>30</sup> Besides the ARTF, UNDP initiated a special Law and Order Trust Fund for Afghanistan. The fund was administered for expenditures related to security reconstruction, both military and civilian.

In early December 2001, Afghan opposition factions agreed on the formation of the Afghan Interim Administration at the meeting in Bonn.<sup>31</sup> On the basis of this agreement, the Emergency Loya Jirga, the traditional Afghan grand council of ethnic leaders, was summoned several months later. At its first gathering in June 2002 they established the Afghan Transitional Administration and elected Hamid Karzai as Chairman.

---

<sup>28</sup> Donors' conferences determine main guidelines of reconstruction and charge concrete actors with reconstruction projects implementation.

<sup>29</sup> "The Final Report on the Afghan Interim Authority Fund (AIAF)," <[www.undp.org/cpr/documents/recovery/AIAF%20Report-FINAL.pdf](http://www.undp.org/cpr/documents/recovery/AIAF%20Report-FINAL.pdf)> (March 1 2007).

<sup>30</sup> Compare <[www.nspafghanistan.org/nsp\\_donors.shtm](http://www.nspafghanistan.org/nsp_donors.shtm)> (January 11 2008).

<sup>31</sup> Full-text version of the Bonn Agreement is available at <[www.unama-afg.org/docs/\\_nonUN%20Docs/\\_Internation-Conferences&Forums/Bonn-Talks/bonn.htm](http://www.unama-afg.org/docs/_nonUN%20Docs/_Internation-Conferences&Forums/Bonn-Talks/bonn.htm)> (February 17 2008).

The Washington conference was followed up with the Tokyo donors' conference in January 2002 attended by many countries, international organizations (the Asian Development Bank, UNDP, the World Bank group) and NGOs. The conference set key priorities for the post-war reconstruction of Afghanistan including improvement of living conditions of the Afghan population, restoration of infrastructure, demining, and enhancement of agricultural production and food security.<sup>32</sup> The next donors' conference was held in Bonn in 2004. Keeping with the results of the Tokyo conference and seeking to coordinate the incoming resources for post-war reconstruction, the Transitional Administration established the Afghan Assistance Coordination Authority (AACAA). The AACAA makes and approves every contract on aid between the Afghan Administration and foreign donors and formulates national development plans. The AACAA has remained the coordination centre of post-war reconstruction in Afghanistan after the 2005 elections.<sup>33</sup>

The coordination of assistance is particularly difficult given the chaos of the situation and the plentitude of state and non-state actors participating in post-war reconstruction and peace-building efforts. There are hundreds of international and national NGOs operating in Afghanistan, Provincial Reconstruction Teams, Operation Enduring Freedom and the ISAF mission, international organizations working groups and governmental reconstruction teams, the United Nations Assistance Mission (UNAMA) including the UN Special Mission in Afghanistan (UNSMIA) and the UN Office for the Coordination of Humanitarian Affairs (UNOCHA), and donor governments.

The *Afghanistan Compact* project created on the January, 2006, donors' conference in London represents one of the attempts on better coordination of assistance provision.<sup>34</sup> The plan, endorsed both by the Afghan government and donors, aims to direct more funds to the hands of the government. However, the stipulations are not binding and donors are free to decide whether to observe the points agreed.<sup>35</sup> Since 2006, the coordination of reconstruction projects by international and national NGOs has proceeded on the basis of several national and international NGO platforms (see below).

A further step in coordinating assistance was achieved at the most recent donors' conference for Afghanistan in Paris in June 2008. The

---

<sup>32</sup> The Ministry of Foreign Affairs of Japan, <[www.mofa.go.jp/region/middle\\_e/afghanistan/minoz01/index.html](http://www.mofa.go.jp/region/middle_e/afghanistan/minoz01/index.html)> (January 28 2008).

<sup>33</sup> R. Brynen, "Donor Assistance: Lessons form Palestine for Afghanistan," in G. Junne and W. Verkoren, *Postconflict Development. Meeting New Challenges* (Lynne Rienner Publishers, 2005), pp. 223-248.

<sup>34</sup> *The Afghanistan Compact* is available at: <[www.fco.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1134650705195](http://www.fco.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1134650705195)> (August 1 2008).

<sup>35</sup> Olson, "Fighting for humanitarian space: NGOs in Afghanistan," p. 6.

conference reviewed the progress since the adoption of the Afghanistan Compact at the 2006 London Conference and also assessed the strategic challenges that continue to threaten the long-term success of the post-conflict reconstruction and state-building effort in Afghanistan. Since 2006, the Afghan government has developed the Afghanistan National Development Strategy (ANDS),<sup>36</sup> which represents the most recent attempt to improve the coordination of provided assistance. It also provides an opportunity and framework for all partners (including NGOs) to concert their efforts behind the Afghan government in the coming five years. The ANDS also acknowledged the shared responsibility of the international community and Afghani authorities for the effectiveness and quality of aid and considered civil society and the private sector to be key players in the rebuilding of Afghanistan.

On basis of this, it appears as if the post-war reconstruction and peace-building in Afghanistan are well-functioning processes. However, the reality shows that although the participating actors have managed to avoid many frequent errors committed in other countries during the 1990s, Afghanistan's reconstruction has failed to bring desired results. NGOs have also contributed significantly to Afghanistan's current problems.

### **NGOs as Actors of Afghan post-War Reconstruction**

NGOs returned to Afghanistan after the fall of the Taliban in 2001. Most of the international and domestic NGOs have been focusing on the country's post-war reconstruction, development, the quality of medical care and improvement in access to care, de-mining, improvement of education system and its infrastructure, food security (i.e. construction of irrigation systems, restoration of agricultural production etc.), rehabilitation of political prisoners, disarmament, demobilization and reintegration of former combatants, human rights and assistance to women and women's rights. These issues are related either directly (de-mining, disarmament, demobilization, reintegration, improvement of education system), or indirectly (human rights and especially women's rights, food security) to the post-war reconstruction, but all of them impact its success and sustainability.

The NGOs participating in Afghanistan's post-war reconstruction include, for example, CARE, Oxfam, Danish Committee for Aid to Afghan Refugees, Handicap International, International Committee of the Red Cross, Doctors Without Borders, Help The Afghan Children, Mercy Corps, Norwegian Church Aid, Swedish Committee for Afghanistan and Save the Children. These NGOs primarily concentrate on local communities' development, civil society empowerment, human

---

<sup>36</sup> ANDS, <[www.ands.gov.af](http://www.ands.gov.af)> (September 10 2008).



rights protection, health care and education systems, reintegration of former combatants, refugees and internally displaced persons, de-mining and support to landmine victims, and training of governmental officials and local authorities' representatives in conflict management.<sup>37</sup> In many parts of the country, NGOs are the only legal providers of employment opportunities, food, medication and social assistance.<sup>38</sup>

Although the cooperation between state and non-state actors is exceptionally high, the basic organization of the country's reconstruction has remained divided, or separately organized, between international organizations and the new Afghan government on one hand, and international NGOs on the other.

Under the international agreement, the security and civilian reconstruction program established the so-called Provincial Reconstruction Teams as the main organizing framework for reconstruction (PRTs were approved at the Bonn donors' conference in 2001).<sup>39</sup> PRTs started to operate in Afghanistan after ensuring the safety of civilian employees, i.e. during the Operation Enduring Freedom and after the ISAF involvement. Today, there are more than twenty PRTs working in forty Afghan provinces.<sup>40</sup> The teams have both military and civilian components.<sup>41</sup> The civilian unit comprises international

---

<sup>37</sup> Compare e.g. M. H. Atmar and J. Goodham, "Afghanistan: The challenge of 'winning the peace'," in M. Mekenkamp, P. van Tongeren and H. van de Veen (Eds.) *Searching for Peace in Central and South Asia: An Overview of Conflict Prevention and Peacebuilding Activities* (Lynne Rienner Publishers, 2002) or visit the sites of the NGOs.

<sup>38</sup> The Ministry of Foreign Affairs of Denmark, "A Joint Evaluation".

<sup>39</sup> The German Foreign Office - Auswärtiges Amt, <[www.auswaertiges-amt.de/www/en/infoservice/download/pdf/friedenspolitik/afghanistan/agreement.pdf](http://www.auswaertiges-amt.de/www/en/infoservice/download/pdf/friedenspolitik/afghanistan/agreement.pdf)> (January 28 2008).

<sup>40</sup> The Teams operate on the basis of an official invitation from the Afghan government. Their activities were authorized by the UN Security Council Resolutions 1386, 1413 a 1444. See See M. J. Dziedzic and M. K. Seidl, "Provincial Reconstruction Teams and Military Relations with International and Nongovernmental Organizations in Afghanistan," *USIP Special Report No.147* (USIP, 2005), p. 4.

<sup>41</sup> The idea of reconstruction teams comprising both military and civilian units was formulated by the U.S. Agency for International Development (USAID) on the basis of the so-called Three-Block-War construct, or the concept of civilian/military missions. The Three-Block-War Model is based on the idea that direct military intervention should be preceded first by distribution of humanitarian aid, or possibly by assistance in distribution of humanitarian aid, and second by an attempt to stabilize the situation through peace-operation deployment. If none of the strategies succeeds, it is necessary to resort to military intervention. Three-Block-War construct relies on continued stabilization and humanitarian aid distribution after the launch of military operations. See Ch. Farhoumand-Sims, "The negative face of the militarization of aid," *Human Security Bulletin* 5, 1 (2007), p. 13. The government responded to the USAID proposal and charged the United States Central Command for the Horn of Africa and Central Asia (USCENTCOM) to elaborate a plan for the joint regional teams. The plan was endorsed by the Afghan Interim Authority headed by Hamid Karzai, but who proposed the creation of Provincial Reconstruction Teams instead of the initial regional teams. This was

diplomats, employees of international organizations, government development agencies and Afghanistan's Interior Ministry.

Provincial Reconstruction Teams work autonomously. They coordinate their activities with other teams but the structures of projects and implementing partners are selected independently of other PRTs. The relatively high autonomy of PRTs led to significant diversification of their internal organizational structure. While some of the Teams (especially those led by U.S. forces) make no distinction between joint military and civilian activities, nor between military and civilian projects,<sup>42</sup> other Reconstruction Teams (e.g. those led by Germany) strictly distinguish military aspects from the civilian by using different uniforms and other visible features (e.g. specific colors of clothes and on cars) to distinguish themselves.<sup>43</sup>

Although international and Afghan NGOs have been criticizing both the structure and functioning (quality and efficiency) of PRTs ever since 2002,<sup>44</sup> they nonetheless became their key partners in implementation of reconstruction projects. The differences in character of Reconstruction Teams and NGOs resulted in unbalanced relationship between both sides and in the duplications of many projects.<sup>45</sup> In 2004, there were more than 2000 local and international NGOs present in Afghanistan, the latter comprising an estimated number of more than 300<sup>46</sup> in 2004. The focus of their activities are mainly on poverty reduction, increasing access to education, restoration of infrastructure (primarily roads, schools and health facilities), de-mining and improvement of access to basic health care.

However, NGOs operate only in secure regions, with the effect that most Afghan provinces receive no assistance. The spread of NGO activities was enabled only after Provincial Reconstruction Teams had been deployed, which, among other tasks, ensured the safety of

---

justified by the fact that the teams should support the legitimate government, and not the regional leaders.

<sup>42</sup> R. M. Perito, "The U.S. Experience with Provincial Reconstruction Teams in Afghanistan: Lessons Identified," *USIP Special Report No. 152* (USIP, 2005).

<sup>43</sup> Dziedzic and Seidl, "Provincial Reconstruction Teams and Military Relations with International and Nongovernmental Organizations in Afghanistan," p. 4.

<sup>44</sup> E. Jelinek, *A Study of NGOs Relations with Government and Communities in Afghanistan* (Agency Coordinating Body for Afghanistan Relief, 2006).

<[www.globalpolicy.org/ngos/aid/2004/1103prts.htm](http://www.globalpolicy.org/ngos/aid/2004/1103prts.htm)> (March 13 2007).

<sup>45</sup> *Ibid.*

<sup>46</sup> S. F. Starr, "Sovereignty and Legitimacy in Afghan Nation-Building," In *Nation-Building. Beyond Afghanistan and Iraq* edited by F. Fukuyama, 107-124 (The Johns Hopkins University Press, 2006) or A. B. Saeed, "Minister Scorns NGO's Work," (Institute for War and Peace Reporting, November 11 2004),

<[www.globalpolicy.org/ngos/state/2004/1111scorn.htm](http://www.globalpolicy.org/ngos/state/2004/1111scorn.htm)> (March 12 2007).

international NGO workers.<sup>47</sup> Notwithstanding the improved security-situation in many parts of the country, Afghanistan still remains one of the most dangerous places in the world (followed by Angola, Democratic Republic of Congo, Iraq, Somalia, Sudan and Liberia), with the highest number of fatalities among humanitarian workers every year.<sup>48</sup> After several killings and kidnappings of aid workers in 2005 and 2006, international NGOs began to retreat into more secure regions, and reconstruction projects in the insecure provinces were either closed or suspended.<sup>49</sup>

### **Worsening of Relationship between NGOs and Afghan Government**

Although NGOs were given a warm welcome in Afghanistan shortly after the initiation of the reconstruction efforts in the winter of 2001, the following year saw a gradual deterioration in the relationship between Afghan government and NGOs. The clashes between the Afghan authorities and NGOs were primarily fuelled by NGO critiques of the government's corruption and inefficiency which, according to the NGOs, were the major obstacles to successful reconstruction.<sup>50</sup> This tense relationship was confirmed by the weak response of government representatives to the several armed attacks on NGO employees. It was declared that these attacks could not be stopped because the population had well understood that NGOs had "failed to deliver effective assistance to the Afghan people" (statement of Bashar Dost, former planning minister).<sup>51</sup>

NGO critiques of the central government and local administrations led the Afghan representatives to severe ties with them, declaring great mistrust of their activities.<sup>52</sup> Additional strains could be seen between

---

<sup>47</sup> NGOs launched a big campaign in the summer of 2002 aimed at increasing security in the country, especially in the northern regions of Afghanistan. In June 2002, under the patronage of Agency Coordinating Body for Afghan Relief (ACBAR), they were lobbying in the UN Security Council and the Afghan Transitional Administration in favor of extending the mandate of territorial deployment of ISAF.

<sup>48</sup> "NGO Insecurity in Afghanistan," (Afghanistan NGO Safety Office and CARE, 2005), <[www.careusa.org/newsroom/specialreports/afghanistan/20050505\\_ansocare.pdf](http://www.careusa.org/newsroom/specialreports/afghanistan/20050505_ansocare.pdf)> (March 1 2007).

<sup>49</sup> "ACBAR brief to UN Security Council on the situation in Afghanistan," 13 November 2006, <[www.cmi.no/afghanistan/doc/Brief%20%20ACBAR%20to%20UN%20Security%20Council%20-%2013Nov06.doc](http://www.cmi.no/afghanistan/doc/Brief%20%20ACBAR%20to%20UN%20Security%20Council%20-%2013Nov06.doc)> (February 14 2008).

<sup>50</sup> See for example Oxfam reports for IRIN News or Reuter Alert: "Afghanistan: Oxfam calls for aid to be more effective, transparent," <[www.irinnews.org/PrintReport.aspx?ReportId=75403](http://www.irinnews.org/PrintReport.aspx?ReportId=75403)> or "Too much aid to Afghanistan, Oxfam says," <[www.alertnet.thenews/newsdesk/ISL28902.htm](http://www.alertnet.thenews/newsdesk/ISL28902.htm)> (both January 29 2008).

<sup>51</sup> Quoted in Saeed, "Minister Scorns NGO's Work".

<sup>52</sup> Jelinek, "A Study of NGOs Relations with Government and Communities in Afghanistan".

NGOs and local populations, mainly in rural regions, where people were unable to differentiate among NGOs, UN agencies and PRT workers (referring to all of them as “muzesi” [organizations]).<sup>53</sup> NGOs are very often perceived to be promoting Western (or American) values and parts of the Afghan population consider greater democratization, liberalization and emancipation to be overall destructive to the rebuilding of Afghan identity and to the preservation of traditional Afghan values.

This aversion from the local population was in some provinces intensified by the activities of Provincial Reconstruction Teams and their different approach to post-war reconstruction. While NGO projects focused on mid- to long-term effects of reconstruction and sustainability of projects, PRT projects focused more on immediate short-term effects and to win the hearts and minds of the local population. For instance, NGOs provided micro-loans which required a contribution of 5-10 percent from recipients to ensure co-responsibility for projects. On the contrary, PRTs did not require any such participation and required no reciprocity from recipients. Therefore, reconstruction teams grew more popular among Afghan population, and the conditions set by NGOs were criticized as discriminating and extortive by local representatives<sup>54</sup>. NGOs are being rebuked (by both government officials and population) for extreme incomes, “high standard” living conditions, and elitism.

Other factors contributing to the negative image of NGOs were the lack of clear distinction between civilian and military activities in many reconstruction teams, and that NGOs represented key implementing partners of the Teams. PRT workers often used the same equipment, cars, and uniform, as did NGO employees. The Afghan population thus could not distinguish the workers and projects associated with NGOs from those representing the intervention forces, especially the U.S. and NATO.<sup>55</sup> The aversion towards NGOs soared with the anti-American feelings in the country and the critique leveled by government officials. Moreover, the bad image was strengthened by NGOs themselves who in few cases acknowledged the pressure exerted on them by the U.S. and PRTs.<sup>56</sup>

---

<sup>53</sup> Ministry of Foreign Affairs of Denmark, “A Joint Evaluation,” p. 153.

<sup>54</sup> “In an alarming sign of public perceptions, the term ‘NGO warlords’ has emerged to describe foreigners”. See Olson, “Fighting for humanitarian space: NGOs in Afghanistan,” p. 18. The metaphor occurred due to the behavior of some NGO employees, private contractors and private security services (which are not distinguished), who rent expensive apartments and drive expensive cars just like the regional warlord of the recent past.

<sup>55</sup> Dziedzic and Seidl, “Provincial Reconstruction Teams and Military Relations with International and Nongovernmental Organizations in Afghanistan” or Barker, “Why PRTs Aren’t the Answer”.

<sup>56</sup> Compare e.g. the statement of US NGO InterAction, which is today the largest umbrella organization of humanitarian and development organizations residing in the

This overall situation shaped the relationship between international NGOs and the Afghan government and contributed to the ambivalent attitude adopted towards NGOs. On the one hand, the officials were well aware that they would not be able to implement, for instance, de-mining programs themselves. On the other hand, they declared that NGOs threatened the authority of local administration and of the government itself. The government began to restrict NGO activities<sup>57</sup> and exerted pressure on the international community to channel resources for the reconstruction through the Afghan government. This would allow the government to at least partially influence the activities of NGOs. This interest became obvious in the recent Declaration from the Paris donors' conference this year, according to which all of the international community's "development assistance would be delivered in a more coordinated way. It will be increasingly channeled through the [Afghani] national budget."<sup>58</sup> Whether the Afghani authorities have succeeded in these efforts will likely be revealed in the next few months.

Due to the large number of donors and channels involved in Afghanistan's reconstruction it is difficult to get precise data on the financial flows.<sup>59</sup> Financing could be partially illustrated by the structure of aid provision from the five biggest European donors (Denmark, Ireland, the Netherlands, Sweden and Great Britain). From 2001 to 2004, these countries provided 791 million euros for the reconstruction in Afghanistan; 26 percent was channeled through the Afghanistan Reconstruction Trust Fund, 10 percent through UNHCR, 10 percent through UNDP, 7 percent through UNICEF, 6 percent through the World Food Program, 4 percent through the Afghan government, 4 percent through the International Committee of the Red Cross, 4 percent through the Afghanistan Stabilization Program, 3 percent through the United Nations Office for the Coordination of Humanitarian Assistance to Afghanistan, and 3 percent through the NGO Swedish Committee for Afghanistan. The remaining 23 percent were allocated to smaller projects, most of which were based on cooperation with NGOs.<sup>60</sup> According to these statistics, NGOs distribute no more than 25 percent of

---

USA – the statement is available at <[www.interaction.org/hpp/military.html](http://www.interaction.org/hpp/military.html)> (March 13 2007).

<sup>57</sup> Cf. Jelinek, "A Study of NGOs Relations with Government and Communities in Afghanistan".

<sup>58</sup> "Declaration of the International Conference in Support of Afghanistan Issued Under the Authority of Three Co-Chairs," Paris, June 12 2008.

<sup>59</sup> ACBAR quoted that international donors have pledged some US\$24 billion at three donor conferences since 2002 (see "ACBAR Bulletin Board No. 18", May 18 2008). About US\$20 billion were pledged at the Paris conference to finance implementation of ANDS and support the preparation of elections in 2009 and 2010.

<sup>60</sup> Ministry of Foreign Affairs of Denmark, "A Joint Evaluation," p. 13.

reconstruction aid while international assistance constitutes around 90 percent of all public expenditures in the country.<sup>61</sup>

The tense NGO-government relationship had an impact on the still-evolving legal environment as well. In 2002, the government founded an inter-ministerial committee designated to revise the legal status of NGOs in Afghanistan. The committee prepared a new bill designed to restrict NGO work but the bill was never read.<sup>62</sup> In winter 2004, NGOs and the government again fell out with each other after a new law regulating NGO activities were being prepared. Some members of the Karzai government, especially the planning minister<sup>63</sup> Ramazan Bashar Dost (Ramazan Bashardoust), declared at several international conferences and before the UN that international and local NGOs were very inefficient in implementing humanitarian and reconstruction programs. He suggested a reduction of the number of international NGOs operating in the country. This was to be done through a new law ordering registration of NGOs<sup>64</sup> and banning profit-oriented reconstruction projects.

According to Dost, the new regulation would limit NGO expenditure on their own infrastructure, for example by limiting the purchase of new cars. As reported by the Afghan government, up to 20 percent of the overall resources allocated to Afghanistan's reconstruction were spent on overhead charges and unjustifiably high salaries among NGOs. This resulted, according to Dost, in an outflow of qualified employees from state service who were then recruited by international NGOs.<sup>65</sup> Dost's proposed registration of almost 2000 organizations was eventually rejected by Karzai's government and Dost was forced to resign. The government's opinion also remained almost unchanged: in the fall of 2004, the government suspended registration of new NGOs and cancelled registrations of 1935 NGOs out of the total 2350.<sup>66</sup>

In April 2005, Karzai appointed Mohammed Amin Farhang, Minister of Economy, to draft a new bill on NGOs and a new NGO law came into force in June 2005.<sup>67</sup> Although the new draft was very unfavorable for NGOs<sup>68</sup> and the government proved highly uncompromising, NGOs

---

<sup>61</sup> Waldman, "Falling Short. Aid Effectiveness in Afghanistan".

<sup>62</sup> K. Saito, "Perception Change of NGOs in Afghanistan: The Next Step," <[www.jca.apc.org](http://www.jca.apc.org)> (March 23 2007).

<sup>63</sup> The Ministry of Planning existed already in the Taliban government. The new government took over the ministry together with its personnel.

<sup>64</sup> Saeed, "Minister Scorns NGO's Work".

<sup>65</sup> *Ibid.* Or Jelinek, "A Study of NGOs Relations with Government and Communities in Afghanistan".

<sup>66</sup> Mojumdar, "Fighting NGOism"

<sup>67</sup> Draft of the NGO Law is available at the site of Afghan NGOs Coordination Bureau, <[www.ancb.org/NGOsEnglish.pdf](http://www.ancb.org/NGOsEnglish.pdf)> (January 28 2008).

<sup>68</sup> For instance, it specifies that: "[One of the illegal activities of a NGO is] to participate in construction contracts. In exceptional cases, the Minister of Economy may issue

managed to push through one significant change – a terminological and factual distinction between NGOs and the private sector.<sup>69</sup> The previous legislation did not differentiate private companies from NGOs (defined as a part of the private sector), which enabled private companies to register as NGOs and profit from their tax breaks.<sup>70</sup> The confusion added considerably to the already stained image of NGOs. When a re-registration of NGOs was launched in 2006, the profit-orientated private contractors were disqualified.

Most governments and international organizations raised little criticism over the restrictive measures imposed on NGOs. One partial reason for this is the increasing fear of terrorism and the spread of terrorist webs into countries through fictional NGOs. The heightened security measures after September 11, including strengthened control of the international financial flows, also meant a closer examination of NGOs and tightening registration requirements.

The Afghan government proceeded in a similar manner (though for different reasons) as did the Russian government towards NGOs working in the Russian Federation, and as did the Iraqi Interim Government, too. In January 2004, the latter ordered registration of NGOs operating in Iraq. Unregistered organizations came under strict tax measures and could be, under certain conditions, expelled from the country (*NGOs Registration Causes Controversy* 2004). The “Iraqi Campaign” to restrict registration of NGOs and to increase transparency of their activities coincided with the “Afghan Campaign”. In reaction to the restrictive measures and increasing risk for humanitarian workers, international and Afghan NGOs either limited their activities or left the country. However, and in spite of the unfavorable conditions, several dozens of NGOs decided to stay and change their communication strategy towards the government and the international community.

### **The New NGO Strategy of Communication with Government**

Key to this strategy was formation or use of existing networks, platforms and centers of coordination and creation of the so-called guidelines, or the Code of Conduct, which would serve as the basic normative framework for NGO activities and their employees.

---

permission based on a request from the diplomatic mission chief of the donor country”. See Saito, “Perception Change of NGOs in Afghanistan: The Next Step”.

<sup>69</sup> Olson, “Fighting for humanitarian space: NGOs in Afghanistan”. The requirement that at least one founder must be university graduate was also abandoned. Registration fees were lowered (for INGOs from US\$ 2,000 to US\$ 1,000 and for domestic NGOs from 30,000 Afghani to 10,000 Afghani). See D. Moore, “Civil Society Law Reform in Afghanistan,” *The International Journal of Not-for-Profit Law* 8, 1 (2005), <[www.icnl.org/knowledge/ijnl/vol8iss1/art\\_1.htm](http://www.icnl.org/knowledge/ijnl/vol8iss1/art_1.htm)>.

<sup>70</sup> *Ibid.*

The oldest NGO platform in Afghanistan is Agency Coordinating Body for Afghan Relief (ACBAR). Formed in 1988, ACBAR represents almost one hundred international and domestic NGO.<sup>72</sup> In May 2005, ACBAR released a set of regulations for member NGOs and their employees working in Afghanistan (*The Code of Conduct for NGOs in Afghanistan. A Code of Conduct for all NGOs engaged in Humanitarian Action, Reconstruction, and Development in Afghanistan*).<sup>73</sup> The Code was to serve as the basis for communication with the Afghan government, media and among NGOs themselves and to ensure greater transparency and responsibility of NGO activities in the implementation of reconstruction projects. The Code includes a definition of an NGO, determines obligatory procedures for peace-building, humanitarian and development NGOs, and stresses the commitment of NGOs to employ preferentially Afghans. The last months have shown that ACBAR as a collective body is much more successful in negotiating with the government than individual NGOs, and that the government is more open to the collective body. ACBAR represents peace-building NGOs operating in Afghanistan and in the international politics, especially in UN.

ACBAR also inspired other platforms and networks, either networks of Afghan NGOs or international networks and domestic non-Afghan networks. Some examples of these are the European Network of NGOs in Afghanistan (ENNA); British Agencies Afghanistan Group (BAAG); InterAction (American Council for Voluntary International Action); Civil Military Group established by UNAMA; Islamic Coordination Council (ICC); South-West Afghanistan and Balochistan Association for Coordination (SWABAC); Japan Afghan NGO Network (JANN).

ENNA is a network of 17 European NGOs actively involved in humanitarian or development assistance to Afghanistan; BAAG joins 27 British (and Irish) peace-building and development NGOs operating on the Afghan territory; InterAction associates 160 U.S. humanitarian, peace-building and development NGOs. Both umbrella organizations work in Afghanistan as well as in their home country, i.e. Great Britain and the U.S.. The Civil Military working group was formed in 2004 under the UN Assistance Mission in Afghanistan (UNAMA) and serves as the basic communication framework for UN forces, NGOs, PRTs, the Afghan government and donors. SWABAC comprises 30 Afghan NGOs working in Baluchistan and JANN unites Japan NGOs in Afghanistan.

The actors involved in Afghanistan's post-war reconstruction managed to improve mutual communication during 2006. Regular

---

<sup>72</sup> ACBAR, <[www.acbar.org](http://www.acbar.org)> (March 17 2007).

<sup>73</sup> Complete version of the Code is available at the site of ACBAR, <[www.acbar.org/display.php?page\\_id=66](http://www.acbar.org/display.php?page_id=66)> and <[www.acbar.org/display.php?page\\_id=69](http://www.acbar.org/display.php?page_id=69)> (March 14 2007).



informal meetings between representatives of international military operations and NGOs were set up<sup>77</sup> and the platforms started to negotiate with the government. Military forces and Provincial Reconstruction Teams – including U.S. soldiers<sup>78</sup> – ceased to use the same designations, outfits and vehicles as the NGO workers, and they usually differentiate military and civilian projects.

Even if the legal environment has stabilized somewhat enforcement of law and order in Afghanistan remains problematic. The main reasons for this are the continuing unsatisfactory security situation in the country and the concerns of the Afghan government about excessive influence of NGOs. The organizations keep pointing out that without ensuring security through disarmament, demobilization and reintegration of former combatants, implementation of other reconstruction projects would hardly be possible. Meanwhile, the efficiency and presence of NGOs depend on the mid- and long-term security of the population and humanitarian workers. There are still many protests from government officials surrounding NGOs activities. They perceive that they cannot control the activities and financial flows of NGOs while they keep attracting qualified workers from the government's own reconstruction efforts.

## **Conclusion**

Post-war reconstruction constitutes the principal task of the Operation Enduring Freedom, ISAF, the UN mission and most of the NGOs operating on the Afghan territory. The absence of any efficient coordination mechanism, the coexistence of the UN mission, military operations (which moreover unite military and civilian activities), and the high number of NGOs have arguably only decreased the efficiency of reconstruction efforts. The contractor-like relations between NGOs and Provincial Reconstruction Teams have also threatened the neutrality of humanitarian and development work.

This great number of concurrently operating actors have contributed to a situation which could be called “Paradox of Plurality”, in other words, an exceedingly high number of actors, performing same or similar activities in parallel and without mutual coordination. Actors involved in post-conflict reconstruction are unable and often unwilling to coordinate their reconstruction efforts, which results in overlapping and duplicating projects and waste of both energy and financial resources. On the other

---

<sup>77</sup> Jelinek, “A Study of NGOs Relations with Government and Communities in Afghanistan”.

<sup>78</sup> This could be considered as the success of InterAction pressure exerted on the US government. Open letters to the US government and to the Secretary General of NATO are available at <[www.interaction.org/afghanistan\\_home/NATO\\_Sec\\_Afg.html](http://www.interaction.org/afghanistan_home/NATO_Sec_Afg.html)> and <[www.interaction.org/files.cgi/1189\\_12-19-02\\_Afghanistan-Bush.pdf](http://www.interaction.org/files.cgi/1189_12-19-02_Afghanistan-Bush.pdf)> (March 30 2007).

hand, the distribution of aid through NGOs is often quicker, more transparent, and cheaper than the government's distribution. But their unwillingness to communicate with the government and local authorities results in suspicions from the public, government and international community towards the work of NGOs.<sup>79</sup>

Being aware of the "paradox of plurality" and the above-mentioned problems, NGOs decided to make their activities more effective and transparent through the creation of cooperation networks. The example of Afghanistan thus illustrates a new phenomenon – the bond of cooperation between NGOs, international organizations and states, which deepened during the 1990s, has started to disentangle and NGOs are seeking to act independently off the state resources and values. The primary motivation for this is the regaining of society's trust which eroded following the politicization and militarization of humanitarian and development aid. The connection of NGOs with governments and armies breached the neutrality of humanitarian, development and peace-building international NGOs, and tainted their reputation as autonomous actors. In Afghanistan, there is also growing competition between the government and NGOs and government officials have historically-grounded concerns with NGOs. First, NGOs are considered to be much more attractive employers compared to state institutions. Second, NGOs are regarded as being too independent, both because of their independent funding sources and because they engage in regions still unreachable for the government's writ. This situation threatens the government's authority and increases the risk of anti-government action from NGOs.

The example of Afghanistan demonstrates that the preservation of the partnership of NGOs, governments and international agencies is a difficult task. On the one hand, NGOs keep criticizing the policy of governments and international agencies. On the other hand, they are either receiving funding from these institutions for their own projects or implementing official projects. The future relations between NGOs and governments will probably depend on the specific conditions of conflicts and the overall reconstruction environment.

Governments are likely to accommodate NGOs in future post-war reconstructions if they are forced to or if it is conceived as more advantageous for their own direct engagement. Nevertheless, they will most probably refrain from institutionalization of such relationships and the strengthening of NGOs status, which represent important power rivals, especially to weak governments. The Afghan lesson illustrates that the experience and know-how of NGOs should be used, but only in a short- to mid-term perspective, because the presence of strong foreign

---

<sup>79</sup> Starr, "Sovereignty and Legitimacy in Afghan Nation-Building".

NGOs may complicate the role of a still weak new government as well as the creation of domestic civil society.



# The Formation of Modern Uyghur Historiography and Competing Perspectives toward Uyghur History

*Nabijan Tursun*<sup>\*</sup>

## **ABSTRACT**

Uyghur historiography has been subject to widely disparate interpretations in the past century. Turko-Islamic, Russian-European, and Chinese influences have all competed for primacy in understanding the ethnogenesis of Uyghurs. This article focuses on the key issues in this debate, its politicization, and the roles played by Uyghur and Chinese historians in shaping it. The author argues that the political ideologies underpinning it should not diminish its value for Uyghur historiography and the context in which these histories has been written (Eds.).

*Keywords* • Uyghur Historiography • Ethnogenesis • Xinjiang • Turko-Islamic Civilization

## **Introduction**

Just as Uyghur regions have been a battleground for competing powers, twentieth-century Uyghur historiography has been the site of an ideological battle between the competing nationalist projects of the Uyghurs and the Chinese state. This article outlines the factors that influenced Uyghur historiography in the last century and discusses Uyghur and Chinese perspectives toward the history of Xinjiang (East Turkistan) and the Uyghur people. The first half of the article highlights the roles of Turco-Islamic historiographical traditions, Soviet methodologies, and Chinese research practices in the writing of Uyghur history. The latter half of the article contrasts the views of Uyghur historians and key figures in twentieth-century Uyghur nationalist movements, with those of Han Chinese scholars and Chinese government-generated versions of Uyghur history. The article uses 1949 as a dividing point for the two phases of twentieth-century Uyghur historiography. Because Uyghur modern historiography was produced in

---

<sup>\*</sup> Nabijan Tursun is a U.S.-based specialist in Central Asian and Uyghur Studies currently working for the Uyghur Service , Radio Free Asia in Washington, DC, USA.

both Soviet Central Asia<sup>1</sup> and East Turkistan, this article takes the scholarship of Uyghurs in both regions as representative of Uyghur perspectives of Uyghur history.

### **Influences in the Development of Uyghur Historiography**

Turco-Islamic, Russian-European, and Chinese historical research methods, along with the political and ideological viewpoints attached to these methods, influenced historiography among the Uyghurs and other Turkic peoples in Central Asia. These influences have continued to the present day to play important roles in the formation and development of Uyghur historiography.

#### *Turco-Islamic Influence*

Classical Uyghur historiography was closely tied to the Central Asian Turco-Islamic traditions of recording and understanding history. This classical Uyghur mode of interpreting history has continued through modern times and has laid the foundation for Uyghur historiography in present day. The Uyghur historian Molla Musa Sayrami (1836 - 1917), whose history book *Tarikhi Hamidi* was a cornerstone of modern Uyghur historiography, used the form of the traditional Islamic chronicle in his own works.

Geographic, ethnic and cultural connections between East Turkistan and other parts of the Turco-Islamic world played an important role in the development of Uyghur cultural and socio-political life. Starting with the advent of Jedidism, Uyghurs were exposed to the development of new forms of education and culture at the beginning of the twentieth century. Uyghur capitalists invited Turkish and Tatar intellectuals to teach at their new schools, which became training grounds for increasing numbers of Uyghur intellectuals. During the same period, many Uyghur intellectuals who had studied in Turkey, India, and Egypt returned to their homeland to open schools and publishing houses in order to educate other Uyghurs with the advanced knowledge and nationalism that they had learned abroad.<sup>2</sup> At the same time, books, journals and papers about

---

<sup>1</sup> Due to the direct influence of Russian and European culture, modern Uyghur historiography appeared in Soviet Central Asia earlier than in Xinjiang. Educational opportunities available to Uyghurs living in Central Asia spurred the development of Uyghur studies and produced numerous Uyghur scholars of history, literature, and linguistics.

<sup>2</sup> Nabijan Tursun, "The Formation of Uyghur Nationalism and Uyghur Identity." (Unpublished article on file with author). See; also Nabijan Tursun, *Uyghur Reader* (Hyattsville, MD: Dunwoody Press, 2007), pp. 120-121. Influential intellectuals during this period include Mesud Sebiri (1887-1952), Qutluq Shewqi (1876-1937), Abduqadir Damolla Warisi (? -1924), Tursun Ependi (1896-1937), Memet Eli Tewpiq (1901-1937), Abduxaliq Uyghur (1896-1933), Sabit Abdulbaqi Damolla (1883-1941), and Mexsut Muhiti(1885-1933).

Turkic, Islamic, and world history were brought to Xinjiang from cities such as Istanbul, Kabul, Cairo, Kazan, and Tashkent. These outside influences from elsewhere in the Islamic world reinforced traditional Uyghur modes of historiography rooted in the Turco-Islamic tradition.

This historiographical tradition served to counter Russian influences on the ethnic identity of the Uyghurs. Leading Uyghur historians in 1940s, including Muhemmed Imin Bughra (1901-1965), Polat Qadiri (-1974), and Abdul'eziz Chinggizkhan (1912-1952) opposed the Soviet approach of separating the Uyghurs from other Turkic people and viewing them as an independent ethnic group with a unique history and culture. In contrast to Russian scholars, they unanimously referred to all the people living in Central Asia as Turks.

During this period, Muhemmed Imin Bughra wrote the first general history of East Turkistan. His *History of East Turkistan* adopted the viewpoints of earlier scholars writing in the Turco-Islamic tradition but also adapted it to suit the specific conditions within Xinjiang. He was the first Uyghur historian versed in the science of archeology and integrated Aurel Stein's archeological findings into his works. His book covered the archeological heritage and political, social, and cultural development of the Uyghurs from the stone age until 1937. He described the revolutions that took place in the 1930s as national independence movements aimed at overthrowing Chinese rule. His viewpoint met with criticism from both the Chinese government and scholars well before Chinese communist rule was established in 1949.

#### *Russian-European Influence*

The socio-political and cultural changes that took place in Central Asia in the beginning of the twentieth Century also contributed to the formation of Uyghur modern historiography. Soviet Russia supported cultural and educational undertakings in Central Asia within a communist ideological frame after it established control in the region. Uyghur intellectuals, poets and scientists were trained in European-style schools in Tashkent and other Central Asian cities. Graduates of these institutions went on to do extensive research on the ancient, medieval and modern history of the Uyghurs. Such intellectuals included two political leaders of Uyghurs in Central Asia, Abdulla Rozibaqiyev (1897-1937) and Ismail Tahirov (?-1937); the first Uyghur professor at Tashkent Central Asia National University, Burhan Qasimov (? - 1937); historian Nezer Ghoja Abdusemetov (1887-1951); and linguist Latip Ensari (? - 1937). They studied Russian and Tatar scholars' earlier work on the Uyghurs and

published a range of articles and journals aimed at a Uyghur audience and focused on Uyghur history and other fields related to Uyghur studies.<sup>3</sup>

Russian influences on Uyghur national identity and historiography were especially salient during the period of the second East Turkistan Republic (ETR) (1944-1949), based in the districts of Ili, Tarbaghatay, and Altay.

During this period, the Soviet Union, which supported the ETR, established special political-military and propaganda organizations in Central Asia to help the liberation movement in Xinjiang province. These organizations published journals such as "*Qazaq Eli*" (Kazakh country) and "*Sherq Heqiqiti*" (East Justice) in the Uyghur language and sent them to the ETR and surrounding areas.<sup>4</sup> Both Uyghur and Russian scholars in Central Asia published works that pronounced the glorious history of the Uyghurs and advocated that as the natives of East Turkistan who developed their own great civilization the Uyghur should be liberated from Chinese control.<sup>5</sup>

At the same time, Russian scholars such as Bernishtam, Baskakov, Nasilov, Yakubovsky, Malov, Najip, Sherbak, Bertilis, Borovkov, Tihonov and others made great strides in the study of Uyghur ethnopolitical and cultural history. The goal of the Russian scholars at this time was to promote a unique ethnic identity and history of the Uyghurs as opposed to a common Turkic history and Turkic identity. As Russian-influenced Uyghur nationalism took deep root and permeated all spheres of political and cultural life, terms such as "national independence," "national liberation," and "self determination" became an integral part of public discourse. Uyghur scholars followed suit with their own articles and works on Uyghur history that promoted a similar Uyghur nationalist agenda. At the same time, anti-Soviet Uyghur political leaders such as Mesud Sebiri Bayqozi, Muhemmed Imin Bughra, and Isa Yusuf Aliptekin countered this perspective by publishing books that

---

<sup>3</sup> Representative works include the articles "*Kembegheller Awazi*" [Voice of the Poor] (1921) and "*Qutulush*" [Being Free] (1927) and the journals "*Yash Uyghur*" [Young Uyghurs] (1922-1923), and "*Birinchi Chamdam*" [First Step] (1924).

<sup>4</sup> A.B. Barmin *Sinziyan v Sovetsko-Kitajskix Otnosheniyax 1941-1949gg* [Xinjiang in Sino-Soviet Relations during 1941-1949] (Barnaul, 1998), pp.71-72; *Obuxov V Sxvatka shesti Imperij .Bitva za Sinziyana* [Fights of Six Empire. Battle for Xinjiang] (Moscow: Veche press, 2007), p. 301; Li Sheng, *Zhongguo Shinjang Lishi Yu Fazhan* [History and Development of Xinjiang, China] (Urumchi: Xinjiang Renmin Chubanshe, 2003), p. 187; James A. Millward and Nabijan Tursun, "Political History and Strategies of Control, 1884-1978," in Frederick Starr, Ed., *Xinjiang ; China's Muslim Borderland* (New York: M.E. Sharpe, 2004), p. 86.

<sup>5</sup> A.N. Bernshtam "*Problemy Istorii Vostochnogo Turkestana*" [Problems in the History of East Turkistan] no..2, (VOI, 1949), p. 71; See also A.N. Bernshtam, *Uyghur Xelqining Qedimki we Ottura Esirler Tarixining Qissiliri* [History of the Uyghurs in Ancient Times and Middle Ages], (Alma-Ata, 1951), pp. 1-3.



argued for a common Turkic identity, a view which Soviet scholars criticized as Pan-Turkism and Pan-Islamism.<sup>6</sup>

#### *Chinese Influence*

Chinese scholars' influence on Uyghur historiography started after 1949. From 1949 to 1960, the period in which the communist Chinese government established and consolidated its control of Xinjiang, the new political regime banned the scholarship of Uyghur intellectuals, especially historical works published before 1949, because they were seen as incompatible with the state's ideological bases for control of the region.

Although the People's Republic of China government implemented its own form of "territorial autonomy" rather than Soviet-style autonomous republics, Chinese communists initially drew on aspects of Soviet models of national identity in order to promote a form of Uyghur national identity deemed compatible with PRC goals and to develop further scholarship on the Uyghurs. The government sent Uyghurs to study in the Soviet Union until 1959, when Sino-Russian relations worsened and as the Chinese government determined that the Uyghurs' aspirations for independent statehood were reinforced by Soviet influences.

Chinese scholars undertook their own research on the Uyghurs during the 1950s, publishing works on Uyghur history, some of which were translated into Uyghur, that included an emphasis on Xinjiang's historical ties with China. The goal of Chinese historical studies in this early period was to create and strengthen a distinct pro-China Uyghur ethnic and historical identity to counter a Turkic nationalist sentiments.

Uyghur studies, like other fields of scholarship, came to a standstill during the Cultural Revolution and resumed in 1978. The post-Cultural Revolution period saw new publications in Uyghur literature, history, and culture, and the establishment of the Xinjiang Academy of Social Sciences. Numerous works by Chinese scholars were translated into Uyghur, ushering in a new stage of Chinese influence on Uyghur historiography. At the same time, both older and new generations of Uyghur scholars began to conduct their own research on Uyghur history, literature, and language. Such Uyghur scholars active in the 1980s and 1990s included T. Almas, A. Ötkür, I. Mutii, H. Yaqub, A. Muhammad

---

<sup>6</sup> Bernshtam A., *Uyghur Xelqining Qedimki we Ottura Esirler Tarixining Qissiliri*, p. 1-2. According to Isa Yüsuf Aliptekin, the Soviet government established an Uyghur radio program in Tashkent and broadcasted news and various articles accusing him and others of Panturkism, Isa Yüsuf Aliptekin, *Esir Dogu Turkistan Icin* (Istanbul, 1985), p.509-510. For more information in Isa Yüsuf Aliptekin and his contemporaries, see Linda Benson, "Uyghur Politicians of the 1940s: Mehmet Emin Bugra, Isa Yusuf Aliptekin and Mesud Sebri" *Central Asia Survey* 10, 4 (1991), pp. 87-114.

Imin , I. Tursun, M. Osmanov, E.Ziyayi, H. Nurhaji, A. Hoja, I.Yusup, T. Ayup, D.Kambari, K. Barat, K.Weli, M. Zeyidi and Kyrgyz scholar A. Baytur.

Chinese and Uyghur historians took divergent approaches to Uyghur studies. Although forums for interaction between the two communities increased, Uyghurs were distrustful of Chinese scholarship due to the tight bonds between Chinese academic spheres and the Chinese state. In contrast to state-supported versions of Uyghur history, many Uyghur scholars instead promoted approaches to Uyghur history that underscored the Uyghurs' unique historical development and independence from Chinese ruling powers. Turgun Almas, who published a general history titled *The Uyghurs* in 1989, was the first Uyghur scholar to systematize this approach. The Chinese government, cognizant of the book's position as a landmark of modern nationalist Uyghur historiography, banned the book, along with Almas's *The Ancient Uyghur Literature* and *A Concise History of the Huns*, in an effort to dislocate Uyghur nationalism from its ideological underpinnings. In the 1990s, following the emergence of independent republics in Central Asia, the Chinese government intensified its efforts to co-opt the field of Uyghur studies and employ scholars to write versions of history to meet state goals.

### **Conflicting Perspectives on Key Issues in Uyghur Historiography**

Chinese communist rule over Xinjiang starting in 1949 ushered in a new phase in the ideological battle over the study of Uyghur history. The Chinese state sought to advance scholarship that legitimized its control of Xinjiang and supported the notion of a unified China. The state both propagated its own historical interpretations and supported scholars working in this vein. Chinese viewpoints were neither static nor uniform during this period, but on the whole could be used to support the political goals of the state. The state highlighted different versions of history as the political situation merited it, at times casting aside one historical interpretation to emphasize another version of history that best met its current political needs. This excessive politicization of Chinese historical studies, strengthened Uyghur nationalist historians' views toward the history of the Uyghurs as a separate people with distinct. The competing ideologies of Chinese and Uyghur historians crystallized around six key issues.

#### *The Ethnic Origin of the Uyghurs*

The ethnic origin of the Uyghurs has been one of the most contested points among Uyghur and Chinese scholars, as well as among other scholars of Uyghur history. While Chinese scholars working since the

Republican Period have set forth a range of viewpoints on the ethno genesis of the Uyghurs, a number of scholars active since 1949, such as Feng Jiasheng, Chen Suluo, Lu Zhixiao, and Su Beihai have drawn on Chinese historical sources to identify the Turkic tribe Dingling as the first ancestors of the Uyghurs.<sup>7</sup> Other scholars have used Chinese sources to identify different starting points for Uyghur history. Chinese scholar Duan Lianqin pushed this back to the 17<sup>th</sup> century B.C, giving the Uyghurs 3800-3900 years of history.<sup>8</sup> Duan Lianqin identified the Uyghurs' ethnic origins in the Guyfang, Dili, Dingling, Gaoche, Tiele, Huihe, Huihu, and other ancient ethnic groups recorded by Chinese historians, arguing that they are all ancestors of the modern Uyghurs.<sup>9</sup>

In contrast, the Uyghur politician and historian Muhemmed Imin Bughra wrote in his book *A History of East Turkistan* that Turks have a 9000-year history.<sup>10</sup> The historian Turgun Almas, active in the 1980s and 1990s, relied on findings from mummies excavated from the Tarim basin to conclude that Uyghurs have over 6400 years of history.<sup>11</sup> By using the information recorded in ancient Chinese histories, Uyghur scholars also have pointed out that the Huns (Xiongnu) are the ancestors of Uyghurs and describe the Hun Empire as the most important part of ancient Uyghur history.<sup>12</sup> Chinese historians, who considered the Huns as an ancient Chinese group, contested this viewpoint. Uyghur scholars also supported the idea of the Eftalits (White Huns) and Hun tribes who immigrated to Europe as their ethnic kin.<sup>13</sup>

#### *Uyghurs as the Original Inhabitants of Xinjiang*

The question of who were the original inhabitants of Xinjiang has engendered a fierce debate between Uyghur and Chinese scholars. Politically motivated interpretations by Chinese historians separate the Uyghurs' ethnic origins from present-day Xinjiang and

---

<sup>7</sup> Feng Jiasheng, Mu Guangwen, Cheng Suluo. *Weiwuer Shiliao Jianbian* [Short Collections of Uyghur Historical Materials] (Beijing: Minzu Chubanshe, 1956 and 1981), volume 1, pp.3-7; Liu Zhixiao, *Uyghur Tarixi* [Uyghur History] (1988), volume 1, p. 9; Su Beihai, "Uyghurlarning Etnik Menbesi Toghrisida Yéngi Izdinish" [New Research on the Ethno genesis of the Uyghurs] *Shinjang Ijtimaiy Penler Tetqiqati*, 11 (1981).

<sup>8</sup> Duan Lianqin, *Dingling Gaoche yu Telie* [Dingling, Gaoche and Telie] (Shanghai, 1991), p. 2, 411.

<sup>9</sup> Nabijan Tursun, *Voprosy Politicheskoy Istorii Uygurov V Kitajskoj Istorigrafii* [The Issue of the Political history of the Uyghurs in Chinese Historiography] (Moscow, 1998), p.51-53; Lianqin, *Dingling Gaoche yu Telie*, p.2.

<sup>10</sup> Muhemmed Imin Bughra. *Sherqiy Türkistan Tarixi* [East Turkistan History] (Istanbul, 1998), pp. 10-11.

<sup>11</sup> T. Almas, *Uyghury a* (Russian translation) (Almaty: Idatelskij Dom "Mir", 1989 (2008)), p. 6-10.

<sup>12</sup> *Ibid*, pp. 52-103.

<sup>13</sup> *Ibid*, pp. 52-100.

connect them to Mongolia, asserting that Uyghur tribes became the main social and political force in Xinjiang only starting from the ninth century. This group of scholars claim that Han Chinese were the original inhabitants of Xinjiang and that Uyghurs migrated to the region from Mongolia after the mid-ninth century<sup>14</sup>. Recently, the state-controlled Chinese press in Xinjiang carried out a propaganda campaign to advance this view.

The Chinese central government's official White Paper on Xinjiang also promotes this claim, concluding, "In 840, large numbers of Uighurs (an ancient name for modern Uyghurs) entered Xinjiang. The Uighur, originally called Ouigour, sprang from the ancient tribe Teli."<sup>15</sup> It also asserts:

"The Xiongnu entered Xinjiang mainly around 176 B.C. The Han was one of the earliest peoples to settle in Xinjiang. In 101 B.C., the Han empire began to station garrison troops to open up wasteland for cultivation of farm crops in Luntai (Bügür), Quli and some other places. Later, it sent troops to all other parts of Xinjiang for the same purpose. All the garrison reclamation points became the early settlements of the Han people after they entered Xinjiang. Since the Western Regions Frontier Command was established in 60 B.C., the inflow of the Han people to Xinjiang, including officials, soldiers and merchants, had never stopped."<sup>16</sup>

This government-sponsored view has been widely propagated in scientific and popular arenas, though some Chinese historians disputed it in the 1980s. Chinese scholars such as Gu Bao<sup>17</sup>, and Su Beihai<sup>18</sup> pointed out early that Uyghur ancestors such as the Dinglings lived in Xinjiang even before the common era. Gu Bao wrote that the bulk of the Uyghur population already lived in Xinjiang before the arrival of Uyghur tribes from Mongolia.<sup>19</sup> On the whole, however, most Chinese scholars follow the government-sanctioned theory; some Chinese historians such as Ge Jianxiong who initially supported the government's version, later rejected it.<sup>20</sup>

<sup>14</sup> Wang Zhilai, "Atalmish Sherqiy Türkistan Toghrisida" [About So-called East Turkistan] *Tarix Bétini Waraqlighanda*. (Shinjang Xelq neshriyati, 2001), pp. 424-426.

<sup>15</sup> Chinese government white paper, "History and Development of Xinjiang", 2003.

<sup>16</sup> *Ibid.*

<sup>17</sup> Gu Bao, "Xinjiang Weiwuerzu Zuyuan Xintan" [New Research on the Ethnogenesis of the Uyghurs], *Zhongguo Shehui Kexue* 6 (1980).

<sup>18</sup> Su Beihai, "Uyghurlarning étnik Menbesi Heqqide Yéngi Izdinish" [New Research on the Ethnic Origin of the Uyghurs] *Shinjang Ijtimaiy Penler Tetqiqati* 11 (1981).

<sup>19</sup> Bao, "Xinjiang Weiwuerzu Zuyuan Xintan" [New Research on the Ethnogenesis of the Uyghurs].

<sup>20</sup> Ge Jianxiong, "How Big was Ancient China?" Available via: <<http://granitestudio.blogspot.com/2007/02/chinese-historian-disputes-claim-that.html>> (October 15 2008).

Uyghur historians' views sharply differ from those of their Chinese counterparts. According to Uyghur historians, including Muhemmed Imin Bughra and Turghun Almas, Xinjiang has always been the Uyghur homeland, and Uyghur-Turkic tribes were the region's original inhabitants. This rejection of the state-sanctioned history not only intensified the conflict between Uyghur scholars and Chinese scholars, but also inspired strong resentment among Uyghur people.

*The Question of Whether Xinjiang Has Been a Part of China Since Ancient Times*

After the political changes in Central Asia in the 1990s and the growth of the Uyghur self-determination movement within the Uyghur diaspora, the Chinese government and state-affiliated scholars changed the strategy of their propaganda from an emphasis on the Han as the original inhabitants of Xinjiang to a focus on Xinjiang as an inseparable part of China since ancient times (*Xinjiang zigu yilai jiushi Zhongguo bu ke fengede yibufen*). The advent of this propaganda campaign gave politicians free license to expound on Uyghur history. When PRC President Jiang Zemin visited Xinjiang in 1998, he gave a speech that specially mentioned the historical connections between Xinjiang and Chinese ruling powers, and he called on the local Xinjiang government to protect the unity of China and to fight against the separatist movement. Speaking of Xinjiang's past, he stated:<sup>21</sup>

Xinjiang has been a part of our homeland since ancient times. In ancient times, Xinjiang and its surrounding regions were together known as the Western Regions. As far back as 101 B.C.E., the Western Han set up local officials in the Western Regions and administered military-agricultural colonies. In 60 B.C.E., the Western Han set up the Western Regions Frontier Command and provided a unified administration of the Western Regions' military and political affairs. This indicates that Xinjiang was already an official part of our country from that time. Since the Han Dynasty, and during the Tang, Song, Yuan, Ming, and Qing dynasties in particular, [all dynasties] have attached extreme importance to and carried out the administration of the Western Regions. After the Opium War, the imperialist powers engaged in widespread occupation of our land and plundered our territory, and English and Russian powers seized the opportunity to invade the Xinjiang region. After resisting the outside forces and recovering Xinjiang, the Qing Dynasty government established Xinjiang Province in 1884.

---

<sup>21</sup> Quotes from speech by Jiang Zemin taken from the book titled *Zhongguo Lidai Zhongyang Wangchao Zhili Xinjiang Zhengce Yanjiu* [Research on the Policy of Historical Chinese Central Dynasties toward Xinjiang], Urumchi, Xinjiang Renmin Chubanshe, 2004, p. 1.

This speech of Jiang Zemin's embodied the political orientation of the research on Xinjiang and Uyghur history to which Chinese and Uyghur historians were forced to adhere. Scholars who deviated from this contemporary Sino-centric viewpoint and opposed this politicized historical standard fixed by the Chinese government, were dealt with using political or legal standards rather than academic ones.

Following this political standard, Chinese scholars asserted that "separatists" distorted history to assert their claims over Xinjiang and attempt to split the region from China. In the words of scholar Wang Zhilai, "Some people keep harping on about Pan-Turkism...going around saying they want to establish an independent 'East Turkistan.' Isn't a suitable territory needed to establish an independent country? Where is this territory? Is it in Xinjiang? But isn't Xinjiang China's? Xinjiang has belonged to China for more than two thousand years."<sup>22</sup>

Other scholars reinforced this viewpoint. The book *Zhongguo Lidai Zhongyang Wangchao Zhili Xinjiang Zhengce Yanjiu* (Research on the Policy of the Historical Chinese Central Dynasties toward Xinjiang) was emblematic of this government-generated position. Authors argued that Chinese ruling powers administered Xinjiang for the region's two thousand year history.

#### *Uyghurs' Role in Xinjiang*

According to Uyghur scholars, Uyghurs were the dominant players in Xinjiang's political, economic, and cultural life, and Chinese influence and control over politics was present only after 1759 and 1884.<sup>23</sup> Chinese scholars, in contrast, argued that Chinese were important actors in Xinjiang's history well before the eighteenth century, and after the Qing dynasty took control, Chinese exerted not only political but cultural control over the region.

#### *The Independence of Uyghur States*

The greatest ideological battle between Uyghur scholars and Chinese scholars centers around the issue of the independence of Uyghur states prior to PRC control. Chinese historians have insisted that Uyghurs never established independent states. Cheng Suluo argued that Uyghurs never established long-term dynasties in the history<sup>24</sup>.

<sup>22</sup> Wang Zhilai. 2001, p. 424-427.

<sup>23</sup> M. Bughra, *Sherqiy Türkistan Tarixi*, 1998. A. Khojayev, *Cinskaya Imperia, Jungaria I Vostochniy Turkestan* (Ching Empire, Junggaria, and East Turkistan). Moscow: 1990.. Dawut Issiyev, *Yette Sheher Döliti* (Seven-City State). Alma-Ata, 1990.

<sup>24</sup> Cheng Suluo. "Zhong wai Youguan Weiwuerzu Shi Yanjiu" [Uyghur Historical Studies in China and Abroad]. *Tang Song Huihu Shi Lunwenji*. 1993.p.1 (Renmin chubanshe), and See, his work; "Huihede Xinqi Jiqi he Tang Chaode Guanxi" [Rising of Uyghur and Relations with Tang Dynasty]. *Lishi Jiao xue*. 1979. No7. See, p.366.

Chinese historians have argued that the political entities Uyghurs administered were just local governing entities under the control of the central dynasties and that they did not enjoy full independence. In doing so, they have portrayed Uyghur history as a mere component of Chinese history<sup>25</sup>. This conclusion is a common viewpoint within modern Chinese historiography and agreed upon by almost all Chinese scholars. It serves to reinforce the PRC's claims to Xinjiang by asserting an unbroken chain of direct control over the region. The Chinese government has also used this approach as a shield to thwart a perceived rising nationalist sentiment among the Uyghurs.

In contrast to the Chinese viewpoint, the Uyghur historian Turghun Almas, among others, argued that Uyghurs had a long tradition of nation-building and that the states established by them were fully independent. He further argued that those states founded by Uyghurs established diplomatic and commercial relations with China and other countries in their capacity as independent states. He also stated that by establishing those nations and creating distinct civilizations, the Uyghurs and their ethnic brothers made enormous contributions to the development of humanity and world civilization.<sup>26</sup> Turghun Almas's theories intensified the battle over the independence of Uyghur states. As the Chinese government grew uneasy about a perceived nationalist awakening among the Uyghurs in the 1980s, it launched a campaign against Turghun Almas, casting a heavily politicized shadow over the landscape of Uyghur historical studies. At the same time, as a significant number of Uyghur historians published new works in the 1980s and 1990s, they continued to put forth similar views on the independence of Uyghur states, drawing on historical materials in Turkish, Chinese, Russian and the Central Asian Turkic languages to support their scholarship..

#### *The Historical Relationship between Chinese and Uyghurs*

The issue of the historical relationship between Chinese and Uyghurs is one of the most critical and delicate issues for Chinese and Uyghur historians. Scholars have centered this debate around the nature of the diplomatic, political, military and economic ties between Uyghur and *Zhongyang Wangchao* (Central dynasties) in ancient and medieval times. Chinese scholars have stressed in their works that since ancient times, the rulers of non-Han ethnic groups, including the Uyghurs, had close relations with the *Zhongyang Wangchao* (Central dynasties ) on the "Central Plains" (*Zhongyuan*) and sent envoys to express their submission

---

<sup>25</sup> Gu Bao. "Weiwuerren'de Zuoze Weizao Lishi, Guchui Fenliezhuyi Sixiangde Shizhi" [Fabrication of History and the Character of Preaching Separatist Thought of Writer of "Uyghurs"] Fan Yisilanzhuyi Fantujuezhuyi Yangjiu Lunwenji, ed. Yang Faren. 1993, p.160-173.

<sup>26</sup> T. Almas, *Uyghurlar* [The Uyghurs], 1989, p. 3-4.

as well as pay tribute to the Chinese Emperor. They emphasized that rulers in China's interior established various local administrative units on the lands of non-Han ethnic groups. They also argued that these groups had close economic relations with the ethnic Han Chinese people and were influenced by Han culture. In addition, they claimed that the Karakhan and Gaochang Uyghur dynasties acknowledged that they were local governments under the jurisdiction of the Song dynasty and part of China<sup>27</sup>. This viewpoint served as another strategy for the Chinese government to legitimize its control over Xinjiang and promote state interests.

Uyghur historians, in contrast, have stressed the independent status of Uyghur states in their dealings with Chinese ruling powers. Turghun Almas, for example, argued that the Orkhun Uyghur State (646-845) forced the Tang Dynasty to sign agreements to protect the best interest of the Uyghurs.<sup>28</sup> He stressed that the Uyghur Kingdom was a sovereign nation and did not belong to Tang Dynasty politically or economically. On the contrary, the Tang Dynasty had to pay tribute and have the emperor's daughter marry Uyghur Khans in return for protection of their political needs. Turghun Almas also described the relationship between the Karakhan Dynasty (850-1212), Turpan Idikut Kingdom (850-1335), Kengsu (Ganzhou) Uyghur Kingdom and the Chinese state as a normal and equal political and economic relationship between sovereign nations. But, Chinese historiography denied those viewpoints.<sup>29</sup>

Those ideas advocated by Turgun Almas were also present in works by earlier Uyghur historians such as Muhammad Imin Bugra, Polat Qadiri<sup>30</sup> and the Soviet Uyghur historians such as Ershidin Hidayetov,<sup>31</sup> Malik Kabirov,<sup>32</sup> Meshur Roziyev<sup>33</sup>, Gegel Ishakov,<sup>34</sup> Davut Isiyev,<sup>35</sup> Aziz Narenbayev,<sup>36</sup> and Ablet Kamalov.<sup>37</sup>

<sup>27</sup> Cheng Suluo . See, *Tang Song Huihu Shi Lunwenji*. 1993, p.366, p.399, p.398. See, Zhu Peimin, Yang Hong. *Zhongguo Gongchandang Yu Xinjiang Minzu Wenti* [Chinese Communist Party and Ethnic Issues of Xinjiang]. Xinjiang renmin chubanshe, Urumchi, 2004, p.5

<sup>28</sup> T. Almas, 1989 and 2008, p. 142-146.

<sup>29</sup> See, Lin Gan, *Tu jue shi* History of Turks]. Nei Menggu Renmin Chubanshe, Huhehote, 1988, p.188-200. Yang Shengmin, "Huihe Hanguo Yu Tangchaode Guanxi "(Uyghur Khanate and Relations with Tang Dynasty ) Zizhi Tongjian Tuhue Huihe Shiliao Xiaozhu, Tianjin Guji Chubanshe, 1992, p.362-392; Gu Bao, "Weiwuerren'de Zuozhe Weizao Lishi, Guchui Fenliezhuyi Sixiangde Shizhi" [Fabrication of History and the Character of Preaching Separatist Thought of Writer of "Uyghurs"], 1993, p.166-168.

<sup>30</sup> Polat Qadiri, *Ölke tarixi* [History of the Province] (Urumchi: 1948).

<sup>31</sup> E. Hidayetov, "Uyghur Milli Azadliq Qozghilangliri" [Uyghur Uprisings for National Liberation] *Sherq Heqiqiti*, 1948, no. 2.

<sup>32</sup> M. Kabirov, *Ocherki istorii Uygurov Sovetskogo Kazakhstana* [History of Uyghurs in Soviet Kazakhstan] (Almaty: 1975).

<sup>33</sup> Mashur Ruziyev, *Vozrozhdeniye Uigurskii Narod* [The Reborn Uyghur People] 2<sup>nd</sup> ed. Alma-Ata. 1982.



Turghan Almas's writings in particular, however, met with attack from the Chinese government. Although the Chinese government engaged in a wide scale campaign against his works and forced other Uyghur historians to condemn him, his works remained popular and widely read among Uyghurs.

## Conclusion

In the twentieth century, the field of Uyghur history was a platform for the competing aspirations of the Uyghur people and the Chinese state. As Uyghurs yearned to realize an independent state and the Chinese government strived to maintain a unified China, each group drew on competing visions of the Uyghur past to justify its present goals. To be sure, both Uyghur and Chinese historians in the twentieth century made important contributions to the study of Uyghur history and deepened overall knowledge of the subject. At the same time, the study of Uyghur history during this period was rooted in the political ideologies underpinning the respective aspirations of each group. Outside the sphere of scholarship produced by Chinese and Uyghur historians, scholars in western countries, Turkey, Japan, Russia and elsewhere contributed their own research on Uyghur history. Their works — a topic outside the scope of this paper — brought new perspectives to the study of Uyghur history away from the politicized debates raging between Chinese and Uyghur scholars. Nonetheless, Chinese and Uyghur scholars continued to play leading roles in the production of Uyghur scholarship, thus underscoring the importance of their debates to an understanding of Uyghur historiography.

In the struggle among Chinese and Uyghur scholars to define Uyghur history, Chinese viewpoints gained the upper hand, as the Chinese state used political means to suppress Uyghur historians whose interpretations of the Uyghur past deviated from accepted norms. In the heavily politicized environment of twenty-first century Xinjiang, Chinese perspectives continue to dominate, and the threat of repercussions against politically incorrect interpretations of history remains strong. A review of the historiography of the past century, then, serves as a stark reminder

---

<sup>34</sup> G. Ishakov, *Etnograficheskie Izucheniye Uygurov Vostochnogo Turkestana Russkimi Puteshestvennikami Vtoroi Polovini XIX veka* (Ethnographic research on Uyghur of East Turkistan by Russian Travelers of the Second Half of the 19th Century) , 1975.

<sup>35</sup> Isiev Dawut, *K Xarakteristike Admisitrativnoy Sistemi Ganzhouskogo Uygurskogo Kaganata (X-XI vekov)* [Character of the Administration System of the Uyghur Ganzhou Khanate] , 1979. P.I. Kafarov, *I ego Vklad V otechestvennogo Vostokovedenie (K 100-letiu So Dnia Smerti)*, Moscow, Part 1.

<sup>36</sup> A. Narinbayev, *Iz Istorii Obshchestvennoj Mysli Drevnyx I Srednevekovyx Uygurov* [History of Uyghur Social Ideas in the Ancient and Medieval Period]. Bishkek, 1994.

<sup>37</sup> A. Kamalov, *Drevnie Uyguri* [Ancient Uyghurs]. Almaty , 2001.

of the importance of examining contemporary Uyghur historiography against a politicized backdrop of competing aspirations and conflicting ideologies.

# Two Decades of HIV/AIDS in Tajikistan: Reversing the Tide or the Coming of Age Paradigm?

*Alisher Latypov\**

## ABSTRACT

Central Asian region has witnessed a dramatic ‘rise of the HIV tide’ over the last decade. This article provides a historical overview, describes the process of domestication, and examines legal, social and political dimensions of the HIV epidemic in Tajikistan in order to highlight existing contradictions and barriers in HIV policy-making and program implementation in that country. The response to HIV/AIDS in Tajikistan has been seriously influenced by pre-existing Soviet policies, crackdown on illegal substance use, and stigmatization of at risk groups and people living with HIV/AIDS. Contradictions between law enforcement and public health approaches in dealing with vulnerable populations are among the most significant factors impeding effective HIV prevention programs in Tajikistan. Without resolving fundamental problems, such as prevention of punitive actions of the police against drug users and commercial sex workers, abolishment of control-oriented registration policies and introduction of substitution therapies HIV programs in Tajikistan are more likely to miss their aims.

*Keywords* • Tajikistan • HIV/AIDS • Drug Users • Sex Workers • Law Enforcement • Coverage Paradoxes • Policy Analysis.

## Introduction

The two paradigms articulated in the title of this essay have been increasingly used to highlight a specific situation or a process related to the HIV/AIDS epidemic. This paper will examine various aspects of the HIV epidemic in Tajikistan and analyze key concepts and factors involved in domesticating and responding to the epidemic. This is in order to answer the question whether, after nearly two decades into HIV, Tajikistan faces a full-blown challenge, or the issue has been adequately

---

\* Alisher Latypov is the Country Manager for Global Initiative on Psychiatry in Tajikistan and formerly UNDP’s Sub-Regional Drug Epidemiology Expert for Central Asia. The author is very grateful to Guy Attewell and Umed Ibragimov for their valuable comments on an earlier draft of this paper and indebted to the Wellcome Trust Centre for the History of Medicine at University College London for its support.

contained. In Central Asian countries HIV/AIDS has been widely considered as a “relatively new” problem, security threat or “the plague of the 21<sup>st</sup> century”<sup>1</sup> in policy-making, health care, research as well as law enforcement communities. But, as emphasized by Berridge, “how much is continuity and how much change?”<sup>2</sup> By looking at the making of AIDS policy and reviewing existing paradoxes in responding to HIV/AIDS in Tajikistan this paper will also challenge the “newness” question and argue that, unlike HIV/AIDS problem itself, many HIV/AIDS-related political, epidemiological and programmatic developments were in fact inherent in the pre-existing Soviet period.

### The Rise of The Tide

Tajik people learned about HIV/AIDS at the time when their country was part of the Soviet Union and up to 1989, AIDS was not a serious problems either for the society or for the Ministry of Health of the USSR.<sup>3</sup> Although as few as 112 people out of 285 million Soviet citizens were officially known to be infected by that date, it seemed to be only part of the overall picture as both research and specialist data on AIDS were originally considered a sensitive issue in the USSR, partially due to the pre-Gorbachev era propaganda labeling AIDS as a bacteriological warfare experiment that went wrong and accusing the U.S. Government of developing the virus in military laboratories.<sup>4</sup> Initial indications of AIDS ‘penetration’ into the USSR came in 1984. A paper on 275 recent cases of Kaposi’s sarcoma observed in Moscow, of whom 53 (19.3 percent) cases were under the age of 40, was published in Russian journal of *Vestnik Dermatologii i Venerologii*, possibly as a result of censorship oversight.<sup>5</sup> Although a year later Professor Zhdanov, Director of the Ivanovsky Institute of Virology in Moscow, admitted the existence of AIDS in the USSR in an interview published in *Sovietskaya Kultura*

<sup>1</sup> Svetlana Ancker, “HIV/AIDS: Security Threat in Central Asia?” *China and Eurasia Forum Quarterly* 5, 3 (2007), pp. 33–60.

<sup>2</sup> Virginia Berridge, “AIDS, Drugs, and History,” in Roy Porter and Mikulas Teich, (Eds.), *Drugs and Narcotics in History* (Cambridge, New York: Cambridge University Press, 1995), pp. 187–198.

<sup>3</sup> Zhores Medvedev, “Evolution of AIDS Policy in The Soviet Union. Part I. Serological screening 1986-7,” *British Medical Journal* 300, 6728 (1990), pp. 860–861.

<sup>4</sup> Zhores Medvedev, “AIDS Virus Infection: A Soviet View of Its Origin,” *Journal of the Royal Society of Medicine* 79, 8 (1986), pp. 494–495; Vera Rich, “Soviets Ponder AIDS Vaccine,” *Nature* 330, 6147 (1987), p. 414.

<sup>5</sup> A. Kalamkaryan and V. Akimov, “Symptomatology, Clinical Forms and Variations of Kaposi Sarcoma Course,” *Vestnik Dermatologii i Venerologii* 11 (1984), pp. 4–7; John Seale and Zhores Medvedev, “Origin and Transmission of AIDS. Multi-use Hypodermics and The Threat to The Soviet Union: Discussion Paper,” *Journal of the Royal Society of Medicine* 80, 5 (1987), pp. 301–304.

newspaper,<sup>6</sup> it was only in 1987 when the first HIV case was officially reported in a Soviet medical publication and described as “a homosexual who got infected in East Africa in 1982.”<sup>7</sup> This man remained the index case until October 1988 when a woman named Olga was posthumously diagnosed with AIDS. This particular case has been widely believed by many Tajiks to come from Khudjand, the second largest city in Tajikistan located in the northern part of the country. According to the Tajik media reports, in 1985 Olga went to Leningrad where she engaged in prostitution, died of AIDS, and was then buried in Khudjand.<sup>8</sup> This, however, contradicts earlier accounts of the Soviet press whereby Olga was known as “a worker in the central heating network *Teploenergo* and an evening student in one of the Leningrad colleges, who had a long history of many illnesses and had been treated in different Leningrad hospitals many times without being tested for HIV.”<sup>9</sup> In October 1988 *Sovietskaia Rossiia* published Olga’s full name and picture, also reporting that she had been known by her neighbors to engage in sex with foreigners over a period of nine years.

Soviet authorities introduced mass HIV screening in 1986 and millions of people have been tested annually. Tajikistan reported its first cases in 1991, a few months after gaining its independence. These cases were two persons who returned to Tajikistan from their business trips to African countries. Although by 1993 some 1,200,000 people were tested for HIV,<sup>10</sup> Tajikistan was the poorest of the former Soviet countries and suffered a devastating civil war following the collapse of the USSR from the end of 1992 to 1997. HIV testing declined significantly since 1993 due to the shortages of test kits<sup>11</sup> and no new cases were detected until 1997. That year and the subsequent one saw one new case each. Seven more HIV cases were diagnosed in 2000 thus placing Tajikistan, with its

---

<sup>6</sup> *Ibid.*

<sup>7</sup> V.V. Pokrovskii, Z. Iankina and V.I. Pokrovskii, “Epidemiological Investigation of The First Case of AIDS Detected in A Citizen of The USSR,” *Zhurnal Mikrobiologii, Epidemiologii, i Immunobiologii* 12 (1987), pp. 8–11.

<sup>8</sup> Nargis Zokirova, “SPID Zavoevyvaet Tajikistan. Dve Tysiachi Infitsirovannykh Na Shest’ Mln. Naseleniia, [AIDS Conquers Tajikistan: Two Thousand HIV Infected People out of A Six Million Population], Institute for War and Peace Reporting, November 2002, <<http://www.centrasia.ru/newsA.php4?st=1036531380>> (March 27 2008).

<sup>9</sup> Zhores Medvedev, “Evolution of AIDS Policy in The Soviet Union. Part II. The AIDS Epidemic and Emergency Measures,” *British Medical Journal* 300, 6729 (1990), pp. 932–934; Svetlana Tutorskaia, “To prevent a tragedy,” *Izvestiia*, October 12 1988.

<sup>10</sup> International Labour Organization, “Overview of The HIV/AIDS Epidemic in Tajikistan,” prepared on the basis of materials provided in November 2002 by Margarita Khagai, NGO “Traditions and Modernity,” <<http://www.ilo.ru/aids/docs/deco2/cis/Tadjikistan-eng.pdf>> (April 2 2008).

<sup>11</sup> Karl L. Dehne, Lev Khodakevich, Françoise F. Hamers and Bernhard Schwartlander, “The HIV/AIDS Epidemic in Eastern Europe: Recent Patterns and Trends and Their Implications for Policy-Making,” *AIDS* 13, 7 (1999), pp. 741–749.

cumulative total of 11 registered HIV cases, in a low prevalence category by the end of the millennium. In most of these cases HIV transmission occurred through heterosexual contact, and was mostly “exported to the country from the outside.”<sup>12</sup> It is not clear whether such low incidence was indeed reflective of the actual scale of the problem or whether it rather resulted from the lack of HIV test kits. Nevertheless, in the late 1990s Tajikistan had all the factors in place that could trigger an outbreak of the HIV epidemic. In 2001, thirty-four new cases were reported and it was three times as much as all previous known cases. This alarming data came from the northern part of Tajikistan, where the Khudjand-based Regional AIDS Center for Sogd Province had reached a network of injecting drug users (IDUs) infected with HIV. The situation in other parts of the country remained deceptively stable but many professionals working in the field believed that it was mainly due to the unavailability of HIV test systems. As it was reported by the head of the Republican AIDS Center, the Dushanbe-based laboratory had not been functional from January 2002 until the middle of 2003 due to the lack of testing systems.<sup>13</sup> Indeed, it was only after the first round grant of the Global Fund to Fight AIDS, Tuberculosis and Malaria was initiated in Tajikistan in May 2003 that HIV surveillance improved. In 2004, Tajik authorities reported 198 new HIV cases, almost a five-fold increase compared to the previous year.

Before 2004 Tajik HIV data, apart from being affected by inadequate health resources, had another major limitation of being almost exclusively based on routine screening of certain occupational groups and blood donors as well as perceived high risk groups including prisoners, STI patients and drug users in contact with health or police authorities. However, due to the highly stigmatized nature of associated behaviors, commercial sex work and drug use being *de facto* illegal in the country as well as discrimination following registration in narcology and venereology services, there was an extreme reluctance to come into contact with these kinds of health clinics and law enforcement, leaving the government ill informed about the actual scale and characteristics of the problem, as will be discussed below. Thus, the data collected through the cross-sectional study in Dushanbe in 2004 was shocking as it revealed 12 percent HIV prevalence in a respondent-driven sample of 489 injecting drug users. HIV prevalence was highest among ethnic Tajiks and HIV

---

<sup>12</sup> Azamjon Mirzoev, “VICH-Infektsiia v Respublike Tajikistan (Epidemiologicheskaiia Kharakteristika),” [HIV Infection in The Republic of Tajikistan (Epidemiological Characteristics)], Synopsis of a Kandidat Meditsinskikh Nauk Thesis, <[http://www.crie.ru/pdf/avtofef2\(mirzoev\).pdf](http://www.crie.ru/pdf/avtofef2(mirzoev).pdf)> (April 5 2008).

<sup>13</sup> IRIN, “Tajikistan: Drug Use, Migration and Ignorance Fuel Rise in HIV Infections. Interview with the director of the Republican Center for AIDS Prevention, Dushanbe, 2004, <<http://www.irinnews.org/report.aspx?reportid=23131>> (April 3 2008).

infection was significantly associated with injection drug use at least once a day in the past 6 months (Odds Ratio 2.16); reporting that narcotics were very easy to obtain (OR 2.46); having undergone drug treatment (OR 2.75); and injecting “alone” (OR 3.12).<sup>14</sup> It was obvious that the HIV epidemic had already become established in the drug injecting population. Another interesting finding, which illuminates the initial patterns of the epidemic, was that among 20 HIV positive IDUs with specimens available for typing, 10 had subtype A of HIV-1, 9 had CRF02\_AG, and one an A-CRF02\_AG recombinant.<sup>15</sup> While subtype A clearly pointed towards eastern European countries of the former Soviet Union, where concentrated HIV epidemic among IDUs had been underway since mid 1990s, the predominance of HIV-1 West African variant, CRF02\_AG, had potentially two explanations.

Firstly, its outbreak in Dushanbe could be linked to Afghan heroin trafficking routes between Tajikistan and Russia. In Russia, Nigerians made a deal with local organized crime networks to be allowed to traffic in drugs for a certain percentage of profit, and HIV-1 epidemic in the south of Nigeria was caused by CRF02\_AG strain.<sup>16</sup> According to DEA’s information received prior to October 2001, Nigerian drug traffickers, although being mostly oriented towards Southeast and Southwest Asian producers, were known to recruit Russian citizens to transport Afghan heroin to Russia.<sup>17</sup> Russian police reported increasing involvement of Nigerians in drug trafficking since mid 1990s, as they “occupied entire blocks in the suburbs of Moscow.”<sup>18</sup> It was also suggested that Nigerian

---

<sup>14</sup> Julie Stachowiak, Farida Tishkova, Steffanie Strathdee, Mark Stibich, Alisher Latypov, Vladimir Mogilnii and Chris Beyrer, “Marked Ethnic Differences in HIV Prevalence and Risk Behaviors among Injecting Drug Users in Dushanbe, Tajikistan, 2004,” *Drug and Alcohol Dependence* 82, Suppl. 1 (2006), pp. S7–14.

<sup>15</sup> Chris Beyrer, Jean Carr, Julie Stachowiak, Farida Tishkova, Mark Stibich, Alisher Latypov, Magdi Saad, Zeenat Patel and Stephanie Strathdee, “The Emerging Epidemics of HIV-1 and HCV among Injecting Drug Users in Tajikistan,” in proceedings from the 13th Conference on Retroviruses and Opportunistic Infections, Denver, CO, February 5-8 2006.

<sup>16</sup> John Iliffe, *The African AIDS Epidemic: A History* (Athens: Ohio University Press; Oxford: James Currey, 2006).

<sup>17</sup> Drug Enforcement Administration, Europe/Asia/Africa Strategic Unit of the Office of International Intelligence, “Drug Intelligence Brief: Russian Organized Crime Groups, January 2002,” <<http://www.shaps.hawaii.edu/drugs/deao2004/deao2004.html>> (April 3 2008).

<sup>18</sup> Boris Kalachev, “Nezakonnyi Oborot Narkotikov, kak Sotsialno-Psikhologicheskaiia Ugroza Natsionalnoi Bezopasnosti Rossiiskoi Federatsii,” [Illicit Drug Trafficking as a Socio-Psychological Threat to The National Security of The Russian Federation], in V. Eremenko, (Ed.), *Natsionalnaia Bezopasnost’: Informatsionnaia Sostavliayuschaia* (Moscow: MOSU, 2000), pp. 216–244.

drug trafficking rings had been operational in Central Asia.<sup>19</sup> As it was well documented in other Asian countries including Burma (Myanmar), China, India and Vietnam, overland heroin export routes play a significant role in a dual spread of drug use and HIV-1, often involving “self-testing” of drug quality and sharing of both drugs and injection equipment among buyers and sellers.<sup>20</sup> Although such practices are common among low-scale dealers who engage in drug trade in order to support their own drug-using habits, significant consignments of heroin are usually trafficked by people who might be less likely to be involved in using drugs themselves. Nevertheless, interviews with drug users in Dushanbe indicated that in late 1990s, at the onset of the heroin use epidemic in the country, heroin was considered very prestigious and trendy, its “addictive powers” were not well known, and its usage was popular among wealthy people including those involved in cross-border illegal drug trade. According to one of these respondents, he initiated heroin use in 1996 when he was a student at one of the Moscow universities. He used to buy heroin from African dealers near the Moscow University of International Affairs at the price of US\$100 per gram. However, as the price of heroin in Dushanbe became much cheaper, about US\$10,000 per kilogram, he himself trafficked in heroin from Tajikistan to Moscow many times until he was arrested with one kilogram in his possession.<sup>21</sup> In Nigeria, heroin use has been growing since 1980s, with heroin being particularly popular among urban adolescents.<sup>22</sup>

Secondly, the predominance of CRF02\_AG strain among drug users in Dushanbe could have resulted from an originally heterosexual spread of the virus through contacts with African students who had studied in many Soviet cities, particularly in Tashkent, Uzbekistan, thus implying a somewhat older HIV epidemic. However, the most recent findings from Uzbekistan and Kazakhstan make the second explanation less likely and almost certainly suggest that CRF02\_AG recombinant is a fairly recent epidemic in the Central Asian region preceded by Former Soviet Union (FSU) subtype A. In Uzbekistan, among 142 strains 13 (9.2 percent) clustered with CRF02\_AG and were significantly concentrated in

---

<sup>19</sup> Faridun Abbosov, “Drug Problems in Central Asia,” *Papeles del Este: Transiciones Poscomunismos* 4 (2002), pp. 1–6, <<http://www.ucm.es/BUCM/cee/papeles/04/33.pdf>> (April 5 2008).

<sup>20</sup> Chris Beyrer, Myat Htoo Razak, Khomdon Lisam, Jie Chen, Wei Lui and Xiao-Fang Yu, “Overland Heroin Trafficking Routes and HIV-1 Spread in South and South-East Asia,” *AIDS* 14, 1 (2000), pp. 75–83.

<sup>21</sup> Alisher Latypov and Marydean Purves, Interviews with injecting drug users, October – December 2004, Tajikistan.

<sup>22</sup> I. Obot, “Substance Abuse, Health and Social Welfare in Africa: An Analysis of The Nigerian Experience,” *Social Science and Medicine* 31, 6 (1990), pp. 699–704; S. Igwe, “Nigeria's Youth at Risk,” *African Health Journal* 14, 4 (1992), pp. 45–46.



samples collected in 2002 from injecting drug users in Tashkent. They were also monophyletic and probably descended from a single ancestor.<sup>23</sup> Similarly, all four individuals infected with CRF02\_AG in Kazakhstan (4.7 percent of the total sample) were self-declared IDUs who stated that their date of seropositivity was between September 2002 and December 2002. Strains from Kazakhstan clustered with similar strains identified in Uzbekistan.<sup>24</sup> Although based on the above findings, authors of both studies proposed that the CRF02\_AG outbreak began in 2002 among IDUs in Tashkent and further spread out to Kazakhstan, there might be another possible scenario. If CRF02\_AG strains from Dushanbe, Tashkent and Almaty and South Kazakhstan Oblasts would be shown to belong to one common cluster and given that (1) in Tashkent the strain could be a molecular marker for one particular drug-using network;<sup>25</sup> and that (2) in samples from Dushanbe, the analysis revealed an almost 50 percent prevalence of CRF02\_AG, the highest of all three Central Asian countries, it may well be that the CRF02\_AG epidemic first occurred in Dushanbe, possibly in early 2000s, and then reached Uzbekistan and Kazakhstan through a particular drug trafficking channel, which was probably controlled by one single cross-regional criminal group. Although no proper HIV-1 typing was performed in Tajikistan on samples collected before 2004, one argument in favor of this hypothesis comes in fact from the law enforcement data. According to the UNODC Regional Office for Central Asia, the major recent drug trafficking routes from Tajikistan include the following three:

- **Route 1:** Dushanbe – Saryasia (Uzbekistan) – Bukhara (Uzbekistan) – Tashkent – Shymkent – Taraz – Almaty – Balkhash – Karaganda – Astana – Kokshetau – Petropavlovsk – Russia;
- **Route 2:** Dushanbe – Saryasia (Uzbekistan) – Bukhara (Uzbekistan) – Tashavuz (Turkmenistan) – Kungrad (Uzbekistan) – Beineu – Opornaya – Makat – Atyray – Ganyushkino – Russia;

<sup>23</sup> Jean K. Carr, Yuka Nadai, Lindsay M. Eyzaguirre, Magdi D. Saad, Mumtaz M. Khakimov, Shavkat K. Yakubov, Deborah L. Birx, R. Ross Graham, Nathan D. Wolfe, Kenneth C. Earhart and Jose L. Sanchez, “Outbreak of A West African Recombinant of HIV-1 in Tashkent, Uzbekistan,” *Journal of Acquired Immune Deficiency Syndromes* 39, 5 (2005), pp. 570–575.

<sup>24</sup> Lindsay M. Eyzaguirre, Isidora B. Erasilova, Yuka Nadai, Magdi D. Saad, Natalya G. Kovtuneneko, Peter J. Gomas, Victoria V. Zeman, Boulos A. Botros, Jose L. Sanchez, Deborah L. Birx, Kenneth C. Earhart and Jean K. Carr, “Genetic Characterization of HIV-1 Strains Circulating in Kazakhstan,” *Journal of Acquired Immune Deficiency Syndromes* 46, 1 (2007), pp. 19–23.

<sup>25</sup> Carr et al., “Outbreak of A West African Recombinant of HIV-1 in Tashkent, Uzbekistan,” p. 573.

- **Route 3:** Dushanbe – Chorjou (Turkmenistan) – Bekdash – Janaozen – Beineu – Opornaya – Makat – Atyrau – Ganyushkino – Russia.<sup>26</sup>

As can be seen from the above, Route 1 connects Dushanbe and Russia and lies exactly along Tashkent, southern Kazakhstan and Almaty. Probably, further research on this issue and sharing of relevant information between public health officials and drug control agencies may not only contribute to better understanding of the HIV epidemic in the region but also shed more light on drug trafficking patterns since “generating an accurate picture of the nature of drug trafficking organizations including their trade routes” was perceived in Central Asia as “difficult due to their clandestine nature and the imperfect, fragmentary evidence available.”<sup>27</sup>

In parallel to this research among drug users in Dushanbe, the practice of sentinel surveillance was introduced in Tajikistan in 2005 through the support of the U.S. Centers for Disease Control. Conducted on an annual basis, these studies enroll various vulnerable groups across few sites and are viewed by domestic and international stakeholders, in the absence of other research, as reflective of the contemporary HIV dynamics in the country. Unfortunately, they reveal an alarming increase in HIV rates and suggest that Tajikistan has a concentrated epidemic. Thus, in 2005 the Dushanbe-based surveillance yielded HIV prevalence rates as high as 17.9 percent among injecting drug users, 6.7 percent among prison inmates, 1.3 percent among commercial sex workers and 0.4 percent among pregnant women. HIV rates in Khudjand were lower across these groups except for pregnant women, considered as representative of the reproductive age general population, who had 0.5 percent prevalence rate.<sup>28</sup> As the 2006 sentinel surveillance findings were presented, they indicated that HIV prevalence among IDUs in Dushanbe had reached 24 percent,<sup>29</sup> which was a twofold increase as compared to 2004 data collected through the Johns Hopkins’ research project. HIV rates among commercial sex workers increased more than 5 times within one year.<sup>30</sup> Behavioral and infectious disease patterns documented by

<sup>26</sup> UNODC Regional Office for Central Asia, *Illicit Drug Trafficking in Central Asia*, September 2007,

[http://www.dbregional.info/filebox/20/Trends\\_Central\\_Asia\\_final.pdf](http://www.dbregional.info/filebox/20/Trends_Central_Asia_final.pdf) (April 5 2008).

<sup>27</sup> *Ibid.*; see also Beyrer et al., “Overland Heroin Trafficking Routes and HIV-1 Spread in South and South-East Asia,” p. 82.

<sup>28</sup> Republican AIDS Center, Tajikistan, Presentations of The Results of 2005 Sentinel Surveillance in Tajikistan, Dushanbe, June 2006.

<sup>29</sup> Z. A. Nurliaminova, “Epidemiia VICH v Respublike Tajikistan,” [HIV Epidemic in Tajikistan], Presentation of the Republican AIDS Center, Dushanbe, 2007.

<sup>30</sup> UNAIDS, *AIDS Epidemic Update: December 2007*, UNAIDS/07.27E / JC1322E, [http://data.unaids.org/pub/EPISlides/2007/2007\\_epiupdate\\_en.pdf](http://data.unaids.org/pub/EPISlides/2007/2007_epiupdate_en.pdf) (April 4 2008).

cross-sectional studies in selected cities of Tajikistan were not encouraging at all and prompted some expectations that HIV/AIDS infection would reach 1 percent of the adult population by 2008.<sup>31</sup> Meanwhile, UNAIDS suggested that as of 2007, there were an estimated 10,000 [5,000 – 23,000] people living with HIV (PLWH) in Tajikistan.<sup>32</sup>

At the start of 2008, the Republican AIDS Center's case reporting database contained 1049 cumulative cases of HIV infection registered in Tajikistan since 1991, of whom 89 have already died of AIDS. HIV cases have been registered in 49 out of 58 districts of the country. HIV infection was most prevalent in 15-49 age group (97.2 percent) and among men (81 percent).<sup>33</sup> Many of these HIV cases were detected at the late stage of infection, in part because various health complications of people living with HIV made their interacting with government authorities more likely.

Four categories were used in Tajikistan to classify these cases by mode of transmission and registered cases were divided as follows: in 226 (21.5 percent) cases HIV was transmitted through unprotected sex, 621 (59.2 percent) got infected intravenously, in 194 (18.5 percent) cases the mode of transmission was unknown and 8 (0.8 percent) cases were attributed to vertical, mother-to-child, transmission.<sup>34</sup> Despite such figures were substantially underestimating the number of people living with HIV, they did reflect the 'rise of the tide' (see **Figure 1** below). It is now time to consider historically framed 'qualitative' aspects of that tide in order to get a better insight into what 'drives' the HIV epidemic in Tajikistan.

---

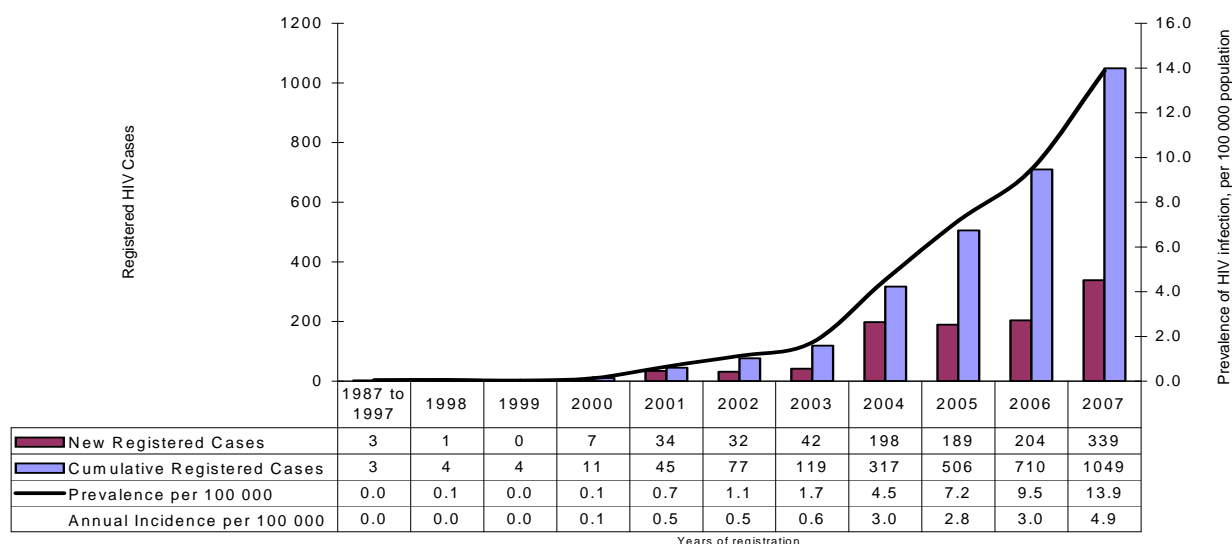
<sup>31</sup> Umed Ibragimov, "The HIV/AIDS Challenge for Tajikistan," Presentation to The Principals' Meeting, Dushanbe, 2005.

<sup>32</sup> UNAIDS, *2008 Report on The Global AIDS Epidemic*, Annex I, HIV and AIDS Estimates and Data, <[http://www.unaids.org/en/KnowledgeCentre/HIVData/GlobalReport/2008/2008\\_Global\\_report.asp](http://www.unaids.org/en/KnowledgeCentre/HIVData/GlobalReport/2008/2008_Global_report.asp)> (September 15 2008).

<sup>33</sup> The Government of Tajikistan, *Natsional'nyi Doklad o Khode Vypolneniia Deklaratsii o Priverzhennosti Delu Bor'by s VICH/SPID*, [National Declaration of Commitment on HIV/AIDS 2008 Progress Report], <[www.ncc.tj](http://www.ncc.tj)> (March 27 2008), also available at <[http://data.unaids.org/pub/Report/2008/tajikistan\\_2008\\_country\\_progress\\_report\\_ru.pdf](http://data.unaids.org/pub/Report/2008/tajikistan_2008_country_progress_report_ru.pdf)>

<sup>34</sup> National Coordination Committee for HIV/AIDS, Tuberculosis and Malaria Prevention in Tajikistan, *HIV Statistics*, <[http://www.ncc.tj/index.php?option=com\\_content&task=view&id=50&Itemid=](http://www.ncc.tj/index.php?option=com_content&task=view&id=50&Itemid=)> (March 27 2008).

**Figure 1.** Officially Registered HIV Cases in Tajikistan, 1 January 1987 through 31 December 2007 (constructed based on the template of AIDS Foundation East-West and Tajik Republican AIDS Center data)



## Domestication of AIDS in Tajikistan

A closer examination of the above-mentioned HIV transmission categories operationalized by bureaucratic institutions needs to be undertaken first in order to find out how AIDS, once regarded as “exported from the outside,” was domesticated in Tajikistan. More specifically, this involves answering some of the following questions: which groups of population are subsumed under HIV statistics? How these groups are constructed and perceived by various stakeholders such as local program implementers, international donor agencies, health service providers and state authorities? What implications does it have for HIV prevention efforts in the country? Both this section and subsequent ones will address the above questions in detail.

As elsewhere in the world, the HIV epidemic in Tajikistan is determined by numerous factors. On the other hand, it involves complex, often overlapping, behavioral patterns and identities hidden behind depersonalized figures. This is emphasized in fact by the “unknown” mode of transmission that represents as much as 18.5 percent of all registered HIV cases in Tajikistan. The two other largest transmission categories are key to finding out what experts believe to be “at-risk” groups in Tajikistan. Here, the intravenous mode includes an overwhelming proportion of injecting drug use and a small fraction of

contaminated blood transfusion. Unprotected sex in its turn may include heterosexual, homosexual, bisexual contacts and in national HIV strategies most often involves commercial sex workers (CSWs), migrants and their wives as main vulnerable populations. Although street children have not been formally known to be included as HIV cases to the AIDS Center database yet, stakeholders in Tajikistan widely believe that they might be lured into sex work and engage in drug use as well. Finally, under certain circumstances individual members of these “deviant” minorities in Tajikistan may find themselves institutionalized in a prison setting, and shifted into another vulnerable group. Thus, among all officially registered HIV-infected males, 13 percent were prison inmates at the moment of diagnosis.<sup>36</sup>

All the above groups are conceptualized in their own, multiple ways depending on the context and determining the responses. As has already been implied in the previous section, injecting drug use has been fueling the HIV epidemic in Tajikistan since the beginning of this century. On the other hand, Tajikistan has been leading a war on drugs since 1996, when the State Narcotics Commission was established through a Presidential Decree and in line with the UN anti-narcotics conventions. That year also marked the first ever heroin seizure in the country. In 1999 the drug war gained significant momentum as the commission, which previously acted as a technical body, was transferred into the UN-funded drug control agency, a fully-fledged law enforcement agency also responsible for the coordination of all domestic and international counternarcotics activities. Those who used drugs were viewed as enemies and were portrayed so in Tajik media as well. Drug use has been an illegal activity since Soviet times<sup>37</sup> and although Tajik legislation did not criminalize drug use per se, possessing as little as 0.015 grams of heroin was punishable by as many as 10 years if the arrestee would prove to be a dealer or 5 years if this amount of heroin in possession was for personal consumption only. In 2001, Tajik law enforcement authorities reported 1122 drug offences that involved possession “without the purpose of trafficking” (Article 201 of the Criminal Code of Tajikistan) compared to 544 offences “with the purpose of trafficking” (Article 200) and 96 occasions of detecting “illicit cultivation of prohibited narcotic plants” (Article 204).<sup>38</sup> Such a crackdown on drug users made them an extremely

---

<sup>36</sup>Lee-Nah Hsu, Mansour Dodarbekov, Sevara Rakhimova, Muallimsho Sinavbarov, Tatiana Bozrikova and Valeria Trupanova, *Outcome Evaluation of HIV programme of UNDP Tajikistan*, Dushanbe, 2007, <[http://www.undp.tj/files/ev/ev\\_report.pdf](http://www.undp.tj/files/ev/ev_report.pdf)> (April 5 2008).

<sup>37</sup> Medvedev, *Evolution of AIDS policy in the Soviet Union. Part I. Serological screening 1986-7*, p. 861.

<sup>38</sup> Alisher Latypov, Sulhiddin Nidoev, Siyar Ramazanov, Elena Semikina, Olga Muravleva, Nadjiba Shirinbekova and Pulod Djamalov, *Tajikistan Drug Situation 2005*,

“hard to reach” population not only for drug enforcement but also for any kind of intervention. It was, therefore, of little wonder that raising heroin possession threshold up to 0.5 grams in 2004 had little impact on changing the culture of fear and, as lamented in the 2007-2010 National HIV prevention program, “law enforcement practices subject drug users to police sanctions and, as a result, IDUs often avoid participating in HIV prevention programs.”<sup>39</sup> Drug users themselves were very articulate in providing detailed descriptions of how these sanctions were applied against them in practice:

One day we came to a pusher’s house to buy some drugs, but the place has been well known to police officers. As we entered, the pusher told us to be careful because he knew that police was watching him at that moment. We asked if we could pay him for drugs and inject them at his place and he agreed. Few minutes after we left the house police officers arrested us and brought us to the local militia department. They checked our veins immediately and asked, “Where are the drugs?” Which drugs? We don’t have any drugs! So they kept beating us for three days with rubber truncheons. They made us mop the floors clean in all the offices and corridors during the nights. On the third day, when the presence of drugs in my body liquids was formally confirmed by the narcological center, they told me that unless I give them 100 or 200 dollars I would ‘get stuck’ in a jail. I replied that I didn’t have any drugs on me. “No drugs?! You’ll have them in no time! We will put some drugs in your pocket, ask two witnesses to confirm that they saw drugs being retrieved from your pockets and that’s it dear, you’ve got your term!” Well, I had to call my parents then and they had to pay a hundred dollars bribe to get me out of there.<sup>40</sup>

Such legal framing of drug use largely determined the context of responses by other stakeholders. Since *de facto* drug use was not viewed as a medical problem, drug treatment received no priority in the government agenda regardless of various statements in various strategies. Inherited from the Soviet times, the Tajik narcological system was outdated, lacking qualified staff and limited to provision of full isolation detoxification, which could be described as “medicating IDUs to the point of immobility during withdrawal from opiate dependence.”<sup>41</sup>

---

*National Report to UNDP and EMCDDA by Tajikistan National Focal Points* (Dushanbe: UNDP, 2007), <<http://www.untj.org/library/?mode=details&id=391>> (September 15 2008).

<sup>39</sup> The Government of Tajikistan, *Programma po Protivodeistviu Epidemii VICH/SPIDa v Respublike Tajikistan na Period 2007-2010gg.*, No. 86 ot 3 Marta 2007g., [Program for Countering HIV/AIDS Epidemic in Tajikistan for The Period of 2007-2010, Ref No. 86 as of March 3 2007], <<http://www.ncc.tj/images/stories/program.pdf>> (March 27 2008).

<sup>40</sup> Latypov and Purves, Interviews with injecting drug users.

<sup>41</sup> V. Mendelevich, *Narcology: Drug Treatment in Russia*. Open Society Institute Briefing on Drug Treatment, HIV, and The Challenge of Reform, 2006.

Although as many as 61 percent of injecting drug users interviewed in Sogd region in 2005 reported a need for drug treatment,<sup>42</sup> and in Dushanbe 37.2 percent had “some” need and 16.9 percent reported “great” or “urgent” need in 2004,<sup>43</sup> speaking in economic terms, “drug demand reduction” that would go beyond one-off “*Tadzhikistan Protiv Narkotikov!*”<sup>44</sup> actions was in short supply.

Specialized medical drug treatment in Tajikistan was provided exclusively by the network of Narcological Centers with the main center in Dushanbe. However, even there the quality of care was extremely poor as clients reported an average period of 51 days (IQR 3-40) after completing drug treatment before relapsing. Not surprisingly, those who had undergone drug treatment were significantly more likely to report less fear of law enforcement (Adjusted OR: 1.48; 95 percent Confidence Interval: 1.02-2.16).<sup>45</sup> In the words of one of the “frequent flyers” on the drug treatment program,

...in short, I was treated in a narcological clinic 4 times, at 150 USD on every occasion. Each time when I would leave the clinic I knew that I had access to drugs, as I used to store some drugs at home, for a rainy day. I would usually resume using drugs some 15-18 days after treatment.<sup>46</sup>

In the southern part of the country, interviews conducted in 2006 with three IDUs visiting Kurgan-Tube drug services suggested that all of them wanted to quit using drugs but there was no effective drug treatment or rehabilitation program in the city at all. None of the three respondents has ever been admitted to a narcological center because the center would disclose their data to police and because its medical care was

---

<sup>42</sup> AIDS Foundation East-West, *Summary Report of A Rapid Situation Assessment in The Republic of Tajikistan in 2005*, <[http://www.afew.org/english/researches/TMF\\_Tajikistan\\_RSA\\_Summary\\_Report.pdf](http://www.afew.org/english/researches/TMF_Tajikistan_RSA_Summary_Report.pdf)> (March 27 2008).

<sup>43</sup> Julie Stachowiak, Mark Stibich, Farida Tishkova, Vladimir Mogilnii, Alisher Latypov, Steffanie Strathdee and Chris Beyrer, “Experiences with Drug Treatment among Injecting Drug Users (IDUs) in Dushanbe, Tajikistan,” in proceedings from the 17th International Conference on the Reduction of Drug Related Harm, Vancouver, Canada, April 30 – May 4 2006.

<sup>44</sup> “Tajikistan against Drugs!”

<sup>45</sup> Julie Stachowiak, Mark Stibich, Farida Tishkova, Vladimir Mogilnii, Alisher Latypov, Steffanie Strathdee and Chris Beyrer, “Experiences with Drug Treatment among Injecting Drug Users (IDUs) in Dushanbe, Tajikistan,” in proceedings from the 17th International Conference on the Reduction of Drug Related Harm, Vancouver, Canada, April 30 – May 4 2006.

<sup>46</sup> Latypov and Purves, Interviews with injecting drug users.

unaffordable due to high informal cost of about 380 Somoni (about 120 USD) for a 10-day course.<sup>47</sup>

The system of informal payments, defined as “payments to individual and institutional providers in-kind or cash that are outside the official payment channels, or are purchases that are meant to be covered by the health-care system,”<sup>48</sup> created additional barriers for many other drug users, who were desperate to get any help. This is how one of HIV positive female IDUs described her health care seeking in Dushanbe:

As for our medical institutions, from my experience I can tell you that nobody is going to help you if you have no money. Not even when you are dying. I visited many of those institutions including the Infectious Diseases Hospital, the Narcological Center, the Burn Center, the Central City Clinic, you name it...<sup>49</sup>

In Tajikistan, a very limited number of local and international programs aimed to address the unmet need for drug treatment. As a matter of fact, the response to injecting drug use as a “vector” of HIV infection has been rather heavily influenced by the drug legislation described above as well as pervasive stigma and discrimination against HIV positive IDUs, often involving health care service providers as major discriminators. According to the 2007 National Stigma and Discrimination Study, refusal in treatment by medical facilities was reported by 38.1 percent of PLWH, about 36 percent reported that they were neglected by medical workers and some 20 percent of PLWH confirmed that their HIV status was disclosed by medical staff without their prior consent.<sup>50</sup> The attack of PLWH on the medical profession was commensurate with the care they received:

...all doctors and nurses must be sacked and only those who can and who know how to communicate and treat other human beings properly should stay.<sup>51</sup>

---

<sup>47</sup> Alisher Latypov and Pulod Djamalov, Interviews with injecting drug users, June 2006, Tajikistan.

<sup>48</sup> Jane Falkingham, “Poverty, Out-of-Pocket Payments and Access to Health Care: Evidence from Tajikistan,” *Social Science and Medicine* 58, 2 (2004): 247–58.

<sup>49</sup> Global Initiative on Psychiatry, *Mental Health and AIDS*. A documentary film directed, recorded and edited by Harrie Timmermans, in proceedings from the Conference on “Double Stigma - Double Challenge: Putting Mental Health and HIV/AIDS on the International Agenda,” The Hague: The Netherlands, November 9 2007.

<sup>50</sup> Strategic Research Center under President of Tajikistan, *National Study on The Stigmatization and Forms of Discrimination against People Living with HIV*, 2007, <<http://www.untj.org/library/?mode=details&id=354>> (March 27 2008).

<sup>51</sup> Nargis Djuraeva, Manija Khaitova, Hayot Aliev, Pulod Djamalov and Vladimir Magkoev, *Mental Health and HIV/AIDS Services in Tajikistan*, (Dushanbe: Mental Health and HIV/AIDS Center, 2007).



A “magic bullet” designed to address such challenges in Tajikistan was called a “Trust Point” or simply TP. As the title denotes, trust is to be the key issue for succeeding in this intervention. But naming something a trust point does not imply the presence of trust by default. In 2004, drug users visiting TPs in Dushanbe reported that when the TP signboards appeared near the doors of some health clinics every police officer knew what kind of “clientele” it was targeting. As one of drug users recalled,

It was dangerous to go to TPs because police was standing just around the corner. Even though we were known as drug users to the local police in Somoni district, we were running a risk of exposing ourselves to other police officers when we had to visit TPs established in parts of the city different from our place of residence. The moment you enter a TP you let police know who you are. This is what happened to us when we visited a TP of the Railroad District. As we left the TP we noticed a strange man following us. He was a police officer of that district.<sup>52</sup>

So, trust needs to be built and it should be mutual. Trust is fundamental, but once it is there other interventions should be put in place, as trust alone does not prevent the spread of HIV infection. While non-governmental organizations that involved peer drug users in outreach and service provision had fewer problems in building trust and rapport with their clients, many others had plenty of barriers to overcome. The Global Fund, for instance, supported the establishment of eleven TPs in different parts of the Tajikistan since 2003.<sup>53</sup> They were affiliated and coordinated by the Republican AIDS Center. Created from nothing, most of these TPs initially hired state employees of various health clinics who had little or no experience in working with drug users as someone who could be trusted and who they could trust.<sup>54</sup> There is little surprise that when asked about the challenges they faced in their daily work, four staff members of one of those TPs unanimously reported that they needed trainings on communication skills and building trustful relationships with clients. One of them said that drug users often perceived her as a law enforcement officer based on her outlook and another had almost no knowledge of drug users’ environment yet. They

---

<sup>52</sup> Latypov and Purves, Interviews with injecting drug users.

<sup>53</sup> UNDP Tajikistan, Grants Implementation Unit. *Support to The Strategic Plan to Prevent HIV/AIDS Epidemics in Tajikistan: Annual Progress Report, Phase II, 1 May 2005 - 30 April 2006*, Dushanbe, 2006.

<sup>54</sup> Author’s interviews with the staff members of a needle exchange project, March – April 2005, Tajikistan.

believed that having a TP staff ID card would help them in securing more trust from drug users.<sup>55</sup>

Speaking about construction of other at-risk groups such as street children, challenges existed at the very basic level, i.e. in constructing itself. As the outcome evaluation of UNDP Tajikistan HIV Program revealed in March 2007,

...There was no clear definition where the term street children was used in Tajikistan... It was used broadly in Tajikistan to cover what UNICEF had termed “children under difficult circumstances.” The priority, in accordance with the Round 4 proposal, should be to target true [sic] street children in the urban settings... Most of the children covered by the street children projects were not street children as defined internationally. For example, most of these children have a home where they stay, have one or both parents... It [the lack of clear definition] resulted in less effective targeting for outreach and interventions. For example, some young outreach workers simply visited homes to reach female children who did not go to school and were not on the streets. Others reached children who were working, but stayed with families and still attending schools... Taking into account these inconsistencies among youth surveyed on the streets, 10 percent of them were aware of HIV prevention. Based on NGO reports to Grant Implementation Unit of UNDP, 8,567 “street children” were reached with information, education and communication materials and behavioral change education and communication... The pseudo-street children [sic] reached were articulate, well-informed on HIV and preferred to gain more knowledge and receive a greater variety of inputs.<sup>56</sup>

Finally, labor migration in Tajikistan had to be viewed as a “step-wise construction” whereby the migration of workers may occur in four steps: source, transit, destination, and return, each having certain HIV-related implications.<sup>57</sup> This construct emphasized one crucial point that in order to succeed HIV prevention activities need to cross national boundaries of individual states. Here it is Russia, to which as many as 90 percent of estimated 1,000,000 Tajik migrants are destined,<sup>58</sup> that is of particular concern because of her fast growing HIV epidemic and the actual number of people estimated to be living with HIV being around 940,000 at the end of 2005 (this estimate remained unchanged for 2007).<sup>59</sup> In one study

---

<sup>55</sup> Alisher Latypov and Pulod Djamalov, Interviews with the staff members of a trust point, June 2006, Tajikistan.

<sup>56</sup> Hsu et al., *Outcome Evaluation of HIV programme of UNDP Tajikistan*, p. 21.

<sup>57</sup> UNAIDS, *Population Mobility and AIDS: UNAIDS Technical Update*, 2001, <[http://data.unaids.org/Publications/IRC-pub02/JC513-PopMob-TU\\_en.pdf](http://data.unaids.org/Publications/IRC-pub02/JC513-PopMob-TU_en.pdf)> (April 4 2008).

<sup>58</sup> Hsu et al., *Outcome Evaluation of HIV programme of UNDP Tajikistan*, p. 16.

<sup>59</sup> UNAIDS, *Fact Sheet: Eastern Europe and Central Asia*, 2006,

conducted in Moscow in October 2005 [note how this is comparable to the 2005 UNAIDS estimate] all Tajik migrants self-reported to have had unprotected sex with commercial sex workers in Moscow almost on a weekly basis. According to Weine et al., “they would typically bring one to two women for 10–15 men to have sex with on one night, as it is less expensive and there is less chance of being caught by the police or other potential threats. Furthermore, some reported having sex with “cheap prostitutes” who need only Vodka and food. None used condoms and cited multiple different reasons as to why they do not. They stated that sex with a condom is not “real sex.” “A person has to feel that he is having sex, but with condom you do not feel anything.” “What is the best way of feeling the smell of flower? With open mouth and nose or with gas mask?”<sup>60</sup>

In Tajikistan, labor migration was perceived as a predominantly male issue and this explains why most of the so-called friendly service centers, established for migrants prone to “smelling flowers with open mouth and nose,” were staffed with male doctors. However, as noted in a recent evaluation, migrants were in Tajikistan only in autumn and winter, and “having been away the rest of the year, they were busy catching up with family obligations and chores upon return” rather than visiting those clinics. Yet, for their wives it was totally against the local culture to go to such clinics and to have male physicians perform STI examinations, to say nothing of the need to obtain the permission from a mother-in-law before traveling outside of their villages.<sup>61</sup> Furthermore, as far as “home” was concerned, “migrants generated an estimated US\$660 million remittances annually compared to a state budget of approximately 430 million,”<sup>62</sup> but at the destination point of Moscow they would normally find themselves in a different frame, being regarded as the lowest rung of the social hierarchy and having no access to HIV prevention services:

“If Russians want they kill you, beat you, or say whatever words they want. A Tajik does not have the right to say a simple word...”; “I see myself in the skin of a slave in Moscow. We do not have any status here. We are illegally living and working here...”; “There are a lot of cases of discrimination of Tajiks. Tajiks are unprotected in Russia. Unprotected by law, which means they do not have any right as a human...”; “Police are very rude. They do whatever they

---

<[http://data.unaids.org/pub/EpiReport/2006/20061121\\_EPI\\_FS\\_EE\\_CA\\_en.pdf](http://data.unaids.org/pub/EpiReport/2006/20061121_EPI_FS_EE_CA_en.pdf)> (April 6 2008); UNAIDS, *2008 Report on The Global AIDS Epidemic*, Annex I, HIV and AIDS Estimates and Data, p. 224

<sup>60</sup> Stevan Weine, Mahbat Bahromov, Azamjon Mirzoev, “Unprotected Tajik Male Migrant Workers in Moscow at Risk for HIV/AIDS,” *Journal of Immigrant and Minority Health*, Electronic publication ahead of print, December 10 2007/S10903-007-9103-5.

<sup>61</sup> Hsu et al., *Outcome Evaluation of HIV programme of UNDP Tajikistan*, pp. 19-20.

<sup>62</sup> *Ibid.*

want, take you to the police station and keep you for as long as they want.”<sup>63</sup>

## The Making of AIDS Policy

Many aspects of policy-making in Tajikistan come into focus only when seen in the longer context of Tajik history as part of the Soviet Union. After gaining its independence in 1991 Tajikistan has passed its own AIDS Law twice, first in 1993 and then in 2005. However, when looking back at the origins of HIV/AIDS outbreak in the USSR, both Tajik laws reveal significant elements of AIDS policies adopted by Soviet authorities since the late 1980s, as discussed below.

In 1986 and 1987 Soviet health authorities carried out two large-scale serological screenings, the first involving 11,567 people in Moscow most of whom were foreign and local students and the second testing almost 80,000 people across several major cities. They suggested that African students were the main risk group as all twenty HIV cases detected during the first screening and 192 out of 226 HIV cases from the second screening were nationals of various African countries.<sup>64</sup> When the Presidium of the Supreme Soviet of the USSR passed a Decree On Prophylactic Measures Against AIDS Infection on 25 August 1987, these findings were translated into introducing mandatory HIV tests for all foreigners who intended to stay in the USSR for longer than three months. If found HIV positive, they were to be deported. In Tajikistan this provision was embraced in both 1993 and 2005 AIDS laws, articles 6 and 9, respectively.<sup>65</sup> Taken from the Soviet Ministry of Health’s policy paper on the “Rights to Medical Examinations for HIV” as of 4 October 1990,<sup>66</sup> there was also a rule that all foreigners and people without citizenship should have their tests within 10 days after arriving in Tajikistan. Elaborating extensively on the rights of people living with HIV, these legislative acts in fact violated the Universal Declaration of Human Rights, adopted by the UN General Assembly on 10 December 1948, which says that “everyone is entitled to all the rights and freedoms set forth in this Declaration, without distinction of any kind, such as race, color, sex, language, religion, political or other opinion, national or

---

<sup>63</sup> Weine et al., “Unprotected Tajik Male Migrant Workers in Moscow at Risk for HIV/AIDS,” Electronic publication ahead of print.

<sup>64</sup> Medvedev, “Evolution of AIDS Policy in The Soviet Union. Part I. Serological screening 1986-7,” pp. 860-861.

<sup>65</sup> Republic of Tajikistan, Zakon “O Profilaktike Zabolevaniia SPID,” [Law “On Prevention of AIDS Disease”], Ref No. 903 as of December 27 1993; Republic of Tajikistan, Zakon “O Protivodeistvii VICH i SPID,” [Law “On Countering HIV/AIDS”], Ref No. 150 as of December 28 2005.

<sup>66</sup> Darren Headley in collaboration with Lena Abrosimova and Olga Labodo, *HIV/AIDS in Russia* (West Malling, Kent: Charities Aid Foundation, 1996).

social origin, property, birth or other status. Furthermore, no distinction shall be made on the basis of the political, jurisdictional or international status of the country or territory to which a person belongs, whether it be independent, trust, non-self-governing or under any other limitation of sovereignty.”<sup>67</sup>

In the 1980s many countries of the world were in denial of HIV/AIDS. As for the Soviet Union, it adopted a penal approach at the time when HIV/AIDS could be no longer be denied in order to prevent further spread of the virus. The above-mentioned Decree of the Presidium of the Supreme Soviet introduced heavy legal penalties on HIV carriers who knowingly placed others at risk, making it a criminal offence punishable with five years in prison. Actual transferring of the infection would increase the sentence to eight years of “deprivation of freedom.”<sup>68</sup> In Tajikistan, the 1993 AIDS Law and the one that was adopted nearly 20 years after the Supreme Soviet decree of 1987, both followed the same penal approach. Article 125 of the Tajik Criminal Code entitled “Infecting with HIV” envisaged the following criminal liabilities: (1) Knowingly endangering a person with HIV infection entails restraint of liberty for up to 3 years or imprisonment for up to 2 years; (2) infecting a person with HIV by a person who is aware of one’s own HIV positive status, entails an imprisonment for 2-5 years (the same action committed with regard to two or more persons and/or when being fully aware of the other person being under-age entails an imprisonment for 5-10 years).<sup>69</sup>

Such repressive AIDS policies did not deter the HIV epidemic. All what they did was preventing people from wanting to know their HIV status, promoting the environment of fear and generating even more stigma. As interviews with PLWH revealed, nearly one third of them did not use condoms with their regular sexual partners despite existing penalties. Although there is tendency at the Tajik President’s Strategic Research Center to interpret such findings as “lack of knowledge of criminal liability for intentional infecting,”<sup>70</sup> knowing is different from doing and the situation may be far more complex. As I was told on numerous occasions by HIV positive IDUs, most of them would not disclose their status when sharing drugs and syringes with their peers as they would immediately be outcast. Similarly, how many times did we

---

<sup>67</sup> Universal Declaration of Human Rights, 1948, <<http://www.un.org/Overview/rights.html>> (April 7 2008).

<sup>68</sup> Medvedev, “Evolution of AIDS Policy in The Soviet Union. Part I. Serological screening 1986-7,” p. 861.

<sup>69</sup> Alisher Latypov, *Review of Existing Drug Demand Reduction and HIV/AIDS Prevention Policies, Programs and Strategies in Tajikistan: Gaps and Needs for Technical Expertise and Policy Advice*, 2007, <<http://www.untj.org/library/?mode=details&id=355>> (April 7 2008).

<sup>70</sup> Strategic Research Center under President of Tajikistan, *National Study on The Stigmatization and Forms of Discrimination against People Living with HIV*, pp. 15-16.

all hear that it is their male clients rather than commercial sex workers themselves who decide on condom use, and telling him that she's got AIDS would mean no income tonight, in the best case scenario?!

As a matter of fact, the AIDS Law hardly works in Tajikistan not only because half of the judges and lawyers don't even know that such law exists,<sup>71</sup> but primarily because it fails to do what it aims to, i.e. to protect and support people living with HIV. Despite numerous reports on the breach of confidentiality, discrimination and violation of basic human rights of PLWH, there hasn't been any case in Tajikistan when legal actions were taken against responsible people. Yet, according to the most recent findings, as many as 76 percent of judges and lawyers support compulsory HIV testing, 90 percent believe that people living with HIV and knowingly infecting others should be prosecuted, and some 74 percent favor an isolation of PLWH once they are in jail.<sup>72</sup> In this regard, the current gap between 132 people with advanced HIV infection receiving ART combination therapy in Tajikistan as of August 2008 and the target number of 250 people,<sup>73</sup> for whom such therapy would be made available through the Global Fund grant, is to large extent reflective of the significance of legal and social discouragements, which prevent PLWH from seeking medical assistance and, generally, any kind of contact with state authorities. Therefore, the estimated number of people needing antiretroviral (ARV) therapy, which was 1,300 in 2007,<sup>74</sup> implies that the fate of the majority of those who are already infected with HIV is probably to die without receiving any HIV/AIDS treatment and care. On the other hand, this figure also points towards profound financial implications for the Government of Tajikistan which it would have to deal with when the environment becomes more favorable for people to be willing to know their HIV status as well as to seek ARV therapy.

Inherited from Soviet times, contradictions between health care and law enforcement systems are paramount in Tajikistan and the power relationship between public health and penal approaches is undoubtedly not in favor of the former. Unless this issue is resolved, it will continue to significantly undermine every HIV prevention effort. Moreover, the longer the status quo is maintained the more resources will be wasted and time to effectively respond to the epidemic will be lost. Take, for example, Tajik prisons, where HIV rates increased from 6.2 percent to

---

<sup>71</sup> *Ibid.*

<sup>72</sup> *Ibid.*

<sup>73</sup> Tajikistan Grant Performance Report, External Print Version, Fourth Round of GFATM HIV Grant to Tajikistan, TAJ-404-G03-H, <[http://www.theglobalfund.org/search/docs/4TAJH\\_821\\_314\\_gpr.pdf](http://www.theglobalfund.org/search/docs/4TAJH_821_314_gpr.pdf)> (September 15 2008).

<sup>74</sup> *Ibid.*

8.4 percent between 2005 and 2006.<sup>75</sup> So far, penitentiary authorities have been very reluctant to admit drug use in their institutions, hence rejecting a need for needle and syringe exchange programs. Substitution therapy is another notorious issue. Associated generally with substantial reductions in illicit opioid use, criminal activity, deaths due to overdose, and behaviors with a high risk of HIV transmission,<sup>76</sup> substitution maintenance treatment is illegal in Tajikistan. Thirdly, according to the National HIV Prevention Program, at least 70 percent of commercial sex workers are expected to have received some HIV prevention services by the end of 2010. On the other hand, when one mentions the word “subbotnik” to a female CSW, she would tell that in this context it means that local militia regularly arranges “happy Saturdays” when they “gang rape prostitutes.”<sup>77</sup> There are many reports when CSWs including those working as outreach workers and volunteers for HIV prevention projects are beaten by police, their money is taken, and they are locked in detention facilities for weeks without any charges.<sup>78</sup> To make things worse, the management of the Tajik Ministry of Interior is currently pondering a law on fighting against prostitution,<sup>79</sup> which would make commercial sex workers virtually inaccessible for HIV prevention programs. Finally, even within Tajik health care institutions, the approach is control-oriented as far as client registration is concerned. Introduced during the Soviet era, the system is still in use at mental health, narcology and STI services of Tajikistan, whereby the names and other details of individual patients are permanently stored and shared, in certain cases, with police authorities, employers, educational and other state institutions.<sup>80</sup> Having no public health benefit, the registration of patients on such terms contributes to stigmatization and discrimination, establishes barriers in accessing certain opportunities and leads to the avoidance of those kinds of institutions by potential clients.

---

<sup>75</sup> The Government of Tajikistan, *Natsional'nyi Doklad o Khode Vypolneniia Deklaratsii o Priverzhennosti Delu Bor'by s VICH/SPID*, [National Declaration of Commitment on HIV/AIDS 2008 Progress Report], p. 9.

<sup>76</sup> WHO, UNODC, UNAIDS, *Substitution Maintenance Therapy in The Management of Opioid Dependence and HIV/AIDS Prevention: Position Paper*, 2004, <[http://www.who.int/substance\\_abuse/publications/treatment/en/index.html](http://www.who.int/substance_abuse/publications/treatment/en/index.html)> (April 8 2008).

<sup>77</sup> Author's correspondence with a former director of one of the HIV prevention programs in Tajikistan, April 2008.

<sup>78</sup> UNESCO, UNICEF, UNAIDS, *Into Focus*. A Central Asian Newsletter for Professionals Working in The Field of HIV/AIDS Prevention, March 8 2003, Almaty.

<sup>79</sup> Deutsche Welle, S Paneli k Stenke? Vlasti Tajikistana Khotiat Sdelat' Prostitutsiiu Ugolovno Nakazuemym Deianiem, [From 'The Streets' to 'against The Wall?' Tajik Authorities Intend to Criminalize Prostitution], January 2008, <<http://www.centrasia.ru/newsA.php?st=1201727100>> (April 8 2008).

<sup>80</sup> There are some indications that the situation is changing as far as narcological register is concerned.

In the case of STI clinics, becoming a patient also implies the launch of “epidemiological investigation” of the case, when all sexual contacts of identified patient are traced, their sexual contacts then traced too and so on, without observing confidentiality. Such “adversarial” relationships between state STI services and patients have had many consequences for treatment seeking behavior and management of STIs, crucially important in terms of HIV transmission risk. In 2005, while the rates of syphilis were found to be as high as 20 percent among commercial sex workers, 0.5 percent among pregnant women, 15.6 percent among prisoners, and 11.6 percent among injecting drug users,<sup>81</sup> official Tajik STI authorities registered an outstandingly low number of 620 syphilis cases throughout the entire year.<sup>82</sup> It is precisely in this context that the above-mentioned Global Fund – supported network of service centers, offering free STI examination and treatment for migrants in various parts of Tajikistan, was named “friendly”. Staffed with the doctors appointed and employed by the Ministry of Health these “friendly” centers differed from “unfriendly” state services in two major ways: they did not register their patients and did not chase their sexual contacts. In this case, rather than addressing the issue by changing surveillance-based registration policies, promoting confidentiality, improving the capacities of existing reproductive health, dermatological, urological and STI services, parallel services were created just for migrants thus threatening to “dilute existing health care system and lacking economy of scale.”<sup>83</sup>

National AIDS responses in Tajikistan are based on the following universally endorsed “Three Ones” Principles: one agreed HIV/AIDS Action Framework that provides the basis for coordinating the work of all partners; one National HIV/AIDS Coordinating Authority, with a broad-based multisectoral mandate; and one agreed HIV/AIDS country-level Monitoring and Evaluation System. In 2007, the Tajik Government’s UNGASS 2001 Progress Report showcased the full introduction of the “Three Ones” Principles as its only success story.<sup>84</sup> However, it seems to be very important to look beyond the general principles and understand the power relationship question within the “Three Ones.” While these principles might seem to have a connotation of the absence of multiple powers and interests, this is certainly not the case in Tajikistan. Civil society organizations are granted a secondary

---

<sup>81</sup> Republican AIDS Center, Tajikistan, Presentations of The Results of 2005 Sentinel Surveillance in Tajikistan.

<sup>82</sup> The Government of Tajikistan, *Programma po Protivodeistviu Epidemii VICH/SPIDa v Respublike Tajikistan na Period 2007-2010gg.*, [Program for Countering HIV/AIDS Epidemic in Tajikistan for The Period of 2007-2010], p. 10.

<sup>83</sup> Hsu et al., *Outcome Evaluation of HIV programme of UNDP Tajikistan*, p. 19.

<sup>84</sup> The Government of Tajikistan, *Natsional’nyi Doklad o Khode Vypolneniia Deklaratsii o Priverzhennosti Delu Bor’by s VICH/SPID*, [National Declaration of Commitment on HIV/AIDS 2008 Progress Report], p. 22.



role in Coordination Committees and only three local NGOs were involved in the National Coordination Committee (NCC) until most recent times. On the other hand, within one policy-making authority, [i.e. the Government of Tajikistan] all the powers are in the hands of the law enforcement community and the voices of others are simply ignored. Failing to admit that as far as substitution treatment is concerned, the NCC and the Ministry of Health keep repeating in their strategies and policy documents that “the issue of introducing substitution therapy in pilot districts will be resolved by 2010”<sup>85</sup> or that “the issue of introducing substitution therapy should be considered by 2010.”<sup>86</sup> Given that HIV rates among IDUs in Dushanbe have so far doubled between 2004 (12 percent) and 2006 (24 percent), it is exactly when ‘considering’ and ‘resolving’ will make little sense.

### Problems with the Denominator and Other Coverage Paradoxes

In recent years coverage has become a very hot topic on the HIV prevention and harm reduction stakeholders’ agenda. An editorial of the *International Journal of Drug Policy* supplementary issue devoted to coverage of harm reduction programs provided an overview of a dozen papers, whose authors engaged in thinking and rethinking coverage, and reiterated the “debate about how coverage should be defined, what an acceptable level of coverage should be, how it might vary with the intervention type, and how it can be measured.”<sup>87</sup> In Tajikistan, debating and enacting coverage have been going on substantially since 2005, when the management of the USAID-funded regional CAPACITY Project in Central Asia began advocating the so-called “60 plus” approach. This implies, based on modeling, that “with ensuring 60 percent of safe behavior among key populations – sex workers and their clients, injecting drug users and men who have sex with men – the epidemic could be reversed among those groups.”<sup>88</sup> This pretty straightforward formula indeed raises many challenging questions. Just to name a few, in order to be able to assert that 60 percent of a target group is reached, we need to know approximately what 100 percent of that group is, and here the issue

---

<sup>85</sup> The Ministry of Health of Tajikistan, *Strategic Program of The Ministry of Health for Countering HIV/AIDS Epidemic in Tajikistan for The Period of 2004-2010*, Dushanbe, 2004.

<sup>86</sup> The Government of Tajikistan, *Programma po Protivodeistviu Epidemii VICH/SPIDa v Respublike Tajikistan na Period 2007-2010gg.*, [Program for Countering HIV/AIDS Epidemic in Tajikistan for The Period of 2007-2010], p. 25.

<sup>87</sup> Mukta Sharma, Dave Burrows and Ricky N. Bluthenthal, “Improving Coverage and Scale-up of HIV Prevention, Treatment and Care for Injecting Drug Users: Moving The Agenda Forward,” *International Journal of Drug Policy* 19, Suppl. 1 (2008), pp. S1-4.

<sup>88</sup> UNAIDS, *A Scaled-up Response to AIDS in Asia and The Pacific*, UNAIDS/05.15E (English original, June 2005), <[http://data.unaids.org/UNA-docs/REPORT\\_ICAAP\\_01July05\\_en.pdf](http://data.unaids.org/UNA-docs/REPORT_ICAAP_01July05_en.pdf)> (April 4 2008).

of estimating becomes vital. Second, how to ensure safe behavior of a particular target group? Is it by providing a condom, a clean needle, a brochure or certain coverage “package?” Third, what ‘exposure dose’ a target group should receive in order to ensure safe behavior? Current HIV Prevention Program in Tajikistan aims to ensure that “by 2010, 100 percent of prison inmates, not less than 70 percent of the estimated number of sex workers, not less than 60 percent of the estimated number of IDUs, and not less than 10 percent of the estimated number of men having sex with men receive, through trust points and friendly rooms, at least one prevention service per year.”<sup>89</sup>

As this target implies, there are no problems in counting people in prisons of Tajikistan. However, there is no agreed national estimate of any other vulnerable group. Guided by the official client registration database introduced during Soviet times, health authorities in Tajikistan are poorly informed of the actual magnitude of risk behaviors whereas indirect statistical estimation methods are not popular and mostly unknown to local officials. On the other hand, the estimates of vulnerable populations that were proposed in Tajikistan by various individuals and agencies since the early 2000s more often resembled intuitive suggestions. In 2001 UNODC Regional Office for Central Asia produced an estimate of 45,000 – 55,000 problem drug users out of 6,131,000 total population of Tajikistan by extrapolating the findings collected from two cities with high drug use prevalence to the entire country.<sup>90</sup> It was also suggested that some 38,500 individuals out of those estimated problem drug users might use intravenous drugs.<sup>91</sup> World Bank suggested that based on UNODC data the real number of drug users was some 100,000.<sup>92</sup> Tajikistan UNDP Global Fund Grants Implementation Unit used its own guesstimate when reporting that “the total number of IDUs reached by HIV/AIDS prevention programs, implemented on the funds of the GFATM grant to the end of April 2006, made 5,356 IDUs or 36 percent of the estimated number of IDUs in the country,”<sup>93</sup> hence implying a total of 14,877 IDUs in Tajikistan. However, when in 2007

<sup>89</sup> The Government of Tajikistan, *Programma po Protivodeistviuu Epidemii VICH/SPIDA v Respublike Tajikistan na Period 2007-2010gg.*, [Program for Countering HIV/AIDS Epidemic in Tajikistan for The Period of 2007-2010], p. 25.

<sup>90</sup> UNODC Regional Office for Central Asia, *Conference Report. Regional Conference on Drug Abuse in Central Asia: Situation Assessment and Responses*, Tashkent, June 26-28 2002.

<sup>91</sup> CAPACITY, Central Asia Program on AIDS Control and Interventions in Vulnerable Populations, *Universal Access to HIV Prevention in Central Asia: A Technical Working Paper on Reaching High Coverage among Vulnerable Population*, Almaty, 2006.

<sup>92</sup> World Bank, *HIV/AIDS in Central Asia, 2002*, <[http://siteresources.worldbank.org/INTECAREGTOPHIVAIDS/Resources/HIV\\_Central\\_Asia\\_March\\_2002.pdf](http://siteresources.worldbank.org/INTECAREGTOPHIVAIDS/Resources/HIV_Central_Asia_March_2002.pdf)> (April 5 2008).

<sup>93</sup> UNDP Tajikistan, Grants Implementation Unit. *Support to The Strategic Plan to Prevent HIV/AIDS Epidemics in Tajikistan: Annual Progress Report, Phase II, 1 May 2005 - 30 April 2006*, p. 6.

UNODC conducted follow-up assessment using revised methodology, the new estimate produced for Tajikistan was the lowest in Central Asia, reported as “more than 0.5 percent of the total adult population 15 – 64 years, or 20,000 people, regularly using opiates.”<sup>94</sup>

Similar discrepancies existed with other at-risk groups as well. In the case of commercial sex workers, no national study with sound methodology has been conducted yet. Estimates that are cited in various reports often conflict with each other and do not involve informal sex workers. The most often cited figure was an estimated 5,000 CSWs, but in the years 2000 and 2006 it was applied to the whole country,<sup>95</sup> and in 2003 it was reported by the City AIDS Center with regard to Dushanbe alone.<sup>96</sup> However, in 2007, another figure of an estimated 8,000 CSWs was reported by the Tajik Government with reference to “the estimated data of an expert from UNAIDS, used for preparation of the Global Fund proposal in 2003.”<sup>97</sup> Other sources suggested that as of 2004, 8,000 CSWs nationwide were known to the Tajik Ministry of Interior as well.<sup>98</sup> This proximity between the rapid assessment data and the number of CSWs officially registered by the Ministry of Interior is potentially indicative of an underestimated data being used in HIV programming.

While problems with the denominator were obvious in Tajikistan, a great deal of other “coverage paradoxes” emanated from the above target of the Tajik HIV Prevention Program of “at least one prevention service per year by 2010.” What in fact does it mean to be “covered” by a prevention service in Tajikistan and what outcome would this entail? In a recent attempt “to track the coverage on the silk road” Gray and Hoffman discuss how “one program in Central Asia” found out that providing at least one significant Youth Power educational contact to youth aged 15-25 was associated with “very positive improvements in knowledge and attitudes related to condom use, *but not in condom use*

---

<sup>94</sup> UNODC Regional Office for Central Asia, *Illicit drug trafficking in Central Asia*, p. 17.

<sup>95</sup> Tajikistan GFATM Round 1 Proposal, *Support to The Strategic Plan of The National Response to The HIV/AIDS Epidemics in Prevention Activities among IDU, SW and Youth and Envisaging Blood Safety*, Dushanbe, 2002; UNDP Tajikistan, Grants Implementation Unit, *Support to The Strategic Plan to Prevent HIV/AIDS Epidemics in Tajikistan: Annual Progress Report, Phase II, 1 May 2005 - 30 April 2006*, p. 7.

<sup>96</sup> Central and Eastern European Harm Reduction Network, *Sex Work, HIV/AIDS, and Human Rights in Central and Eastern Europe and Central Asia*, 2005, <<http://www.ceehrn.org/index.php?ItemId=15504>> (April 3 2008).

<sup>97</sup> The Government of Tajikistan, *Natsional'nyi Doklad o Khode Vypolneniia Deklaratsii o Priverzhennosti Delu Bor'by s VICH/SPID*, [National Declaration of Commitment on HIV/AIDS 2008 Progress Report], pp. 6, 29.

<sup>98</sup> Mirzoev, “VICH-Infektsiia v Respublike Tajikistan (Epidemiologicheskaiia Kharakteristika),” [HIV Infection in The Republic of Tajikistan (Epidemiological Characteristics)], pp. 18-19.

itself,” which remained stable or slightly dropped in all target sites.<sup>99</sup> Getting back to commercial sex workers, according to the UNDP Global Fund Grants Implementation Unit, as many as 68 percent of the estimated CSWs in the country (3,414/5,000) were reached by HIV and STI prevention services between May 2005 and April 2006. Based on the data available for 266 CSWs living in Khudjand (with a total estimated number of 511 CSWs<sup>100</sup>), each of them received on average 257 prevention services within 12 months time including 208 condoms, 5 consultations, and 44 information, education and communication (IEC) materials.<sup>101</sup> On the other hand, HIV prevalence among CSWs recruited in sentinel surveillance studies in that city in 2005 (n=150) and 2006 (n=150) increased from 0 to 0.7 percent, respectively.<sup>102</sup> How should one respond to these striking findings? While Gray and Hoffman describe how, in response to theirs, plans to expand to new districts were cancelled and the original coverage goal was revised to provide at least 3 or more educational sessions, situation with CSWs in Tajikistan is indeed puzzling. This is particularly so because the reported difference in HIV rates in Khudjand was not statistically significant ( $p > 0.05$ ). Speaking about cost-effectiveness, what is then sufficient coverage and even if sufficiently covered, what else may contribute to actual condom use? In both 2005 and 2006 sentinel surveillance studies nearly 60 percent of CSWs in Dushanbe and Khudjand responded that a reason for not using condoms was in fact the insistence of their male clients on not using a condom. They also reported that around 60 percent of their clients were police and military men, making it abundantly clear that ‘chasing’ coverage alone is not going to solve all the problems.

As for injecting drug users, major attention has been paid so far to providing drug users with sterile injecting equipment through syringe exchange programs. But, in being excessively involved in discussing the benefits of such programs, there is a tendency to underestimate the fact that in former Soviet countries, unlike in the West, syringes are readily available in any local pharmacy without prescription and at a very cheap price. As highlighted by Sarang et al., some of the key factors that contributed to pharmacy access in Russia included geographic proximity and low cost, and it would be a missed opportunity not to pilot

---

<sup>99</sup> Robert Gray and Leah Hoffman, “Tracking Coverage on The Silk Road: Time to Turn Theory into Practice,” *International Journal of Drug Policy* 19, Suppl. 1 (2008), S15–24.

<sup>100</sup> Republican AIDS Center, Tajikistan, Presentations of The Results of 2005 Sentinel Surveillance in Tajikistan.

<sup>101</sup> UNDP Tajikistan, Grants Implementation Unit. *Support to The Strategic Plan to Prevent HIV/AIDS Epidemics in Tajikistan: Annual Progress Report, Phase II, 1 May 2005 - 30 April 2006*, p. 7.

<sup>102</sup> M. Dodarbekov, S. Kurbanova, Kh. Saidova and A. Norova, Presentation on The Findings of Sentinel Surveillance: HIV Infection among Commercial Sex Workers in Dushanbe and Khudjand, 2005-2006, Dushanbe, 2007.

pharmacy-based syringe distribution and exchange projects.<sup>103</sup> Compared to a total of 23 needle and syringe exchange points available in Tajikistan there are hundreds of pharmacies throughout the country, which meet the largest portion of demand for injecting equipment. Many pharmacies seem to have established good relationships with their regular IDU clients, which may even involve lending syringes without an obligation to buy them as some drug users reported that they used to borrow syringes from a pharmacy and return them when they would get free syringes from a trust point.<sup>104</sup>

Finally, one should not forget about the brochures that fall under the rubric of the IEC materials. These brochures may be available in Russian or in Tajik, but they rarely have members of the target groups involved at initial design and pre-testing phases. Produced in large quantities at the start of the Global Fund grant for mass distribution during the entire five-year grant period,<sup>105</sup> they were hardly effective when ‘covering’ their audiences. In the words of many trust point counselors and outreach workers

...we don’t understand ourselves the meaning of the Tajik text in some of these brochures designed by the ‘experts’ from Dushanbe.<sup>106</sup>

## Conclusion

Mobile theaters have recently become a very popular tool for delivering HIV prevention messages to various audiences in independent Tajikistan. Performed in cities and rural communities, they entertain both urban dwellers and villagers and may also be set up to amuse ‘external’ visitors. The scene looks neat: performers are eloquent, a crowd is cheerful, local partners are proud, and donors are happy. But there is a hard feeling that something is wrong in this masquerade. Street children performers are in fact pseudo-street children, a crowd of migrants may also consist of passers-by, no evidence exists that the messages delivered are the right ones, local partners play tricks by promising ‘to consider’ introducing necessary changes in their policies and laws, and donors face difficult dilemmas in deciding how to proceed with program development without having fundamental problems resolved. We call this ‘daily routines of HIV program implementation’ but this may also remind us of the Potemkin village.

---

<sup>103</sup> Anya Sarang, Tim Rhodes and Lucy Platt, “Access to Syringes in Three Russian Cities: Implications for Syringe Distribution and Coverage,” *International Journal of Drug Policy* 19, Suppl. 1 (2008), pp. S25–36.

<sup>104</sup> Latypov and Djmalov, Interviews with injecting drug users.

<sup>105</sup> Hsu et al., *Outcome Evaluation of HIV programme of UNDP Tajikistan*, p. 22

<sup>106</sup> Author’s interviews with trust points’ counsellors and outreach workers, June–August 2006, Tajikistan.

HIV/AIDS has come of age in Tajikistan, there is no doubt about it. Whether the tide is going to be reversed or not depends on numerous factors including how soon the contradictions and barriers identified in this paper will be removed. Within a broader “securitization” approach to policy-making, Tajik authorities have yet to abandon their punitive and control-oriented tactics in dealing with vulnerable populations and to embrace the assertion that the danger of spread of HIV/AIDS is a greater threat than drug use, commercial sex work and juvenile delinquency all together.

# Should an Unholy Cabal of German Greens and Industrialists Finance a Resurgent Russia? Natural Gas, Central Asia and Europe after the Georgian War

*Michael Mihalka*<sup>\*</sup>

## ABSTRACT

The Russia intervention in Georgia reflects weakness, not strength. First, the fall in its stock markets and in the price of hydrocarbons show that Russia is closely tied to the global economy and can suffer if it behaves badly. Second the commercial logic for additional pipeline projects seems undercut by the declining output of aging Russian gas fields. Third, precipitous Russian action may have unintended diplomatic consequences such as rehabilitating Iran as a source of natural gas. Fourth, recent deals with Central Asian states over gas supplies may go the way of earlier projects that were never realized. Fifth, many European states that border Russia were not readily intimidated even though they are heavily reliant on Russian supplies.

*Keywords* • Russia-Georgian War • Gazprom • European Gas Supplies • German Green Party

## Introduction

Access to Central Asian hydrocarbons continues to dominate the EU security agenda after the Russian-Georgian war. The search for alternatives to Russian pipelines would seem to have strengthened the political if not the commercial logic for Nabucco and the Trans-Caspian pipeline.<sup>1</sup>

---

<sup>\*</sup> Michael Mihalka is Professor of Full Spectrum Operations (Strategic/Operational), US Army Command and General Staff College, Fort Leavenworth, Kansas, US. The views expressed here do not represent those of the U.S. Army, Defense Department, or the US Government.

<sup>1</sup> On the Nabucco pipeline project, see Nicklas Norling, "Gazprom's Monopoly and Nabucco's Potentials: Strategic Decisions for Europe," Silk Road Paper, (Washington D.C.: Central Asia-Caucasus Institute & Silk Road Studies Program, September 2007); "US diplomat says trans-Caspian pipeline viable," *International Herald Tribune*, September 4 2008.

But has the situation actually worsened for the West? Or has Russia merely overplayed its hand and discovered that unlike the Soviet Union, there are real economic consequences for precipitous political actions. An Azerbaijani commentary noted that the Russian president Dmitri Medvedev's July trip to Azerbaijan and Turkmenistan to buy up all future output bore little fruit and that the Russian strike on Georgia was "a strike on the whole Caspian oil and gas geopolitics of the West."<sup>2</sup> According to this commentary, the Russian action actually puts Iran and Armenia into play in an "alternative game" in the region, an astounding concession in Azerbaijani media. The only real losers in the Russian-Georgian war may be the protagonists themselves.

Indeed, several factors seem to suggest a weakened Russia. First, Russia never had the advantages attributed to it in control of West European energy access to Russian and Central Asian natural gas. While most analyses seem to suggest that there are absolutely no consequences for Russia turning off the spigot, in fact Russia needs the West just as much, if not more, than the West needs Russia. Many perceive that Russia has become a corrupt backward petrostate incapable of generating the capital necessary to develop its own energy infrastructure. Second, the commercial logic of many of these pipeline projects has always been questionable. If output is declining or stagnant, why is there a need for more pipelines? Third, the Russian action could precipitate a diplomatic revolution in the region and make the unthinkable thinkable – most obviously a rapprochement between Turkey and Armenia but also the rehabilitation of Iran. Fourth, one should view with caution reports that the Central Asian states have tilted towards Russia. Central Asian states often play a sophisticated of balancing outside powers against each other.

Finally, despite the protestations of the pundits, the Europeans themselves do not seem too overly concerned about energy security. States most dependent on Russia for natural gas such as Poland and Ukraine are often the most critical of Russia's policies. Others such as Germany seem to throw European solidarity out the window to cut their own deals for supplies.

### **Russia – the Toothless Bear?**

One commentator writing in the *Washington Times* soon after the conflict wrote:

Russia's military incursion into Georgia, a former Soviet republic, signals that it intends to play a much bigger role in the distribution

---

<sup>2</sup> "Passions around Nabucco", *Turan*, September 10, 2008 as translated by Opensource.gov, CEP20080919950100.



of Central Asia's huge oil and gas reserves to European markets, analysts said Monday.<sup>3</sup>

By increasing instability in the area, Russia has significantly raised the cost of oil and gas pipelines that are on the drawing board. Investors will now be less likely to spend the billions of dollars needed to complete the projects, the article citing analysts reported.<sup>4</sup>

Gary Schmitt of the American Enterprise Institute said Russia's military action "complicates efforts to diversify energy resources to Europe. People would be far less likely to pour billions of dollars into a pipeline investment in what has become a much more volatile area," he continued. "There is no guarantee that the trans-Caspian projects would be safe and reliable investments in an area that has just become much more unstable."<sup>5</sup>

Despite the effort by some pundits and analysts to claim that Russia's actions are cost-free, quite the reverse is true. Russia needs foreign capital to develop its energy infrastructure and when it behaves arbitrarily, foreign investors will exit the market. Indeed, that appears to have been the case in Russia. The Russian stock market has fallen over 50 percent since its high in late May. The stock price of Gazprom can serve as a close surrogate for the Russian stock market. Thus, the share price for the Gazprom ADR on the Frankfurt exchange (where it is still traded, not so on some other exchanges) fell over 50 percent from its high of 40.49 on May 19 to a low of 17.95 on September 17. [The Market Vectors ETF with 100 percent Russian stocks, RSX, behaved very similarly]

Some commentators attributed the fall to the invasion of Georgia. Anders Aslund, for example, wrote, "Aug. 8 stands out as a fateful day for Russia. It marks Prime Minister Vladimir Putin's greatest strategic blunder. In one blow, he wiped out half a trillion dollars of stock market value, stalled all domestic reforms and isolated Russia from the outside world."<sup>6</sup> But actually the market had lost more value before the invasion. Again the Gazprom ADR on the Frankfurt exchange had fallen to 28.45 by August 7, a loss of 30 percent of its value from its high of 40.49 on May 19. In the immediate aftermath of the invasion, the stock price of Gazprom actually increased from 27.50 on 8 August to 29.75 on 12 August so it would appear the invasion per se did not lower the price.

---

<sup>3</sup> David M. Dickson, "Georgia clash imperils Europe's fuel flow," *Washington Times*, August 12, 2008, <<http://www.washtimes.com/news/2008/aug/12/central-asia-volatility-imperils-pipeline-bypasses/>> (September 20 2008).

<sup>4</sup> *Ibid.*

<sup>5</sup> *Ibid.*

<sup>6</sup> Anders Aslund, "10 Reasons Why the Economy Will Falter," *The Moscow Times*, September 3 2008, <<http://www.themoscowtimes.com/article/1016/42/370643.htm>> (September 22 2008).

Another explanation offered over the decline in the Russian stock market has been the harsh treatment of foreign firms. One factor has been the contentious dispute over control of BP's Russian joint venture. Peter Sutherland, the BP chairman, said, "This is just a return to the corporate raiding activities that were prevalent in Russia in the 1990s. Prime Minister Putin has referred to these tactics as relics of the 1990s, but unfortunately our partners continue to use them."<sup>7</sup>

All of these factors certainly contributed to the stock market decline. Moreover, one commentator sees oil prices as driving the Russian stock market in which oil stocks form roughly 50 percent of the total market capitalization.<sup>8</sup> On May 23 the price of oil was US\$120.16. It rose to US\$134.44 by July 17 and has since fallen dramatically.<sup>9</sup>

### Gas, Gas, Where's the Gas?

Russia has over 25 percent of the world's total of gas reserves, much of them concentrated in a few giant fields. In Russia's four largest fields, production has been declining as Figure One illustrates. As several commentators have noted, Russia needs foreign investment to reverse this decline, and much of this is projected to come from Europe.<sup>10</sup> Gazprom itself is extremely inefficient and must provide natural gas at significantly below market prices to domestic consumers.<sup>11</sup> More than 90 percent of these consumers do not even have meters. Gazprom lacks the capital and the technical expertise to fully develop fields such as the Shtokhman which is located in the Barents Sea. Russia thus badly needs foreign capital to develop additional reserves.<sup>12</sup>

---

<sup>7</sup> Terry Macalister, "BP ups stakes by accusing Putin of failing to stop hijack by oligarchs," *The Guardian*, June 17 2008, <<http://www.guardian.co.uk/business/2008/jun/13/bp.russia>> (September 23 2008).

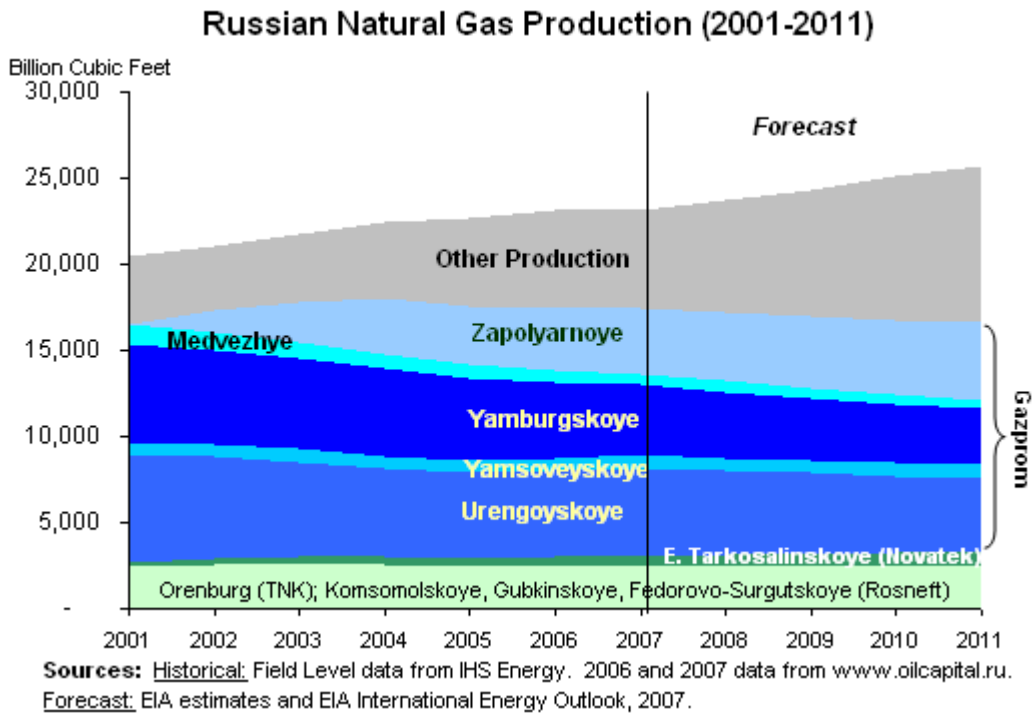
<sup>8</sup> Clifford G. Gaddy, "Russia's Stock Market Fall: It's All About Oil," *Brookings*, September 12, 2008 <[http://www.brookings.edu/opinions/2008/0916\\_oil\\_gaddy.aspx](http://www.brookings.edu/opinions/2008/0916_oil_gaddy.aspx)> (September 21 2008).

<sup>9</sup> U.S. Energy Information Administration Website, <<http://tonto.eia.doe.gov/dnav/pet/hist/wtotusaw.htm>> (September 23 2008).

<sup>10</sup> Nadejda M. Victor, "Russia's Gas Crunch; Looming Shortfall Poses a Tough Choice," *Washington Post*, April 6 2006, Page A29.

<sup>11</sup> Nadejda Makarova Victor, "Gazprom: Gas Giant Under Strain," Working Paper #71, The Program on Energy and Sustainable Development at Stanford University, January 2008.

<sup>12</sup> U.S. Energy Information Administration Website, <<http://www.eia.doe.gov/emeu/cabs/Russia/NaturalGas.html>> (September 23 2008).



Moreover Gazprom provides over 20-25 percent of Russia's tax revenue and around two thirds of Gazprom's revenues come from Europe.<sup>16</sup> On May 27 2008, Russian President Dmitry Medvedev, said, "Around 20 percent of federal budget revenue comes from Gazprom, whose capitalization has increased 46 times since 2000."<sup>17</sup> Thus it is quite ironic – Europe finances Russia's aggressive behavior.<sup>18</sup> Russian businessmen are fully cognizant of the weakness of their business sector.<sup>19</sup> "Badly grounded attacks on Russian companies may create a fertile soil for foreign law enforcement agencies seeking to start similar actions," Alexander Shokhin, head of the powerful Union of Industrialists and Entrepreneurs told reporters. "Our authorities should treat [their] own business people better to strengthen their positions

<sup>16</sup> Russian State Budget, see Global Security website: <http://www.globalsecurity.org/military/world/russia/budget.htm> (September 22 2008); Victor, "Gazprom," Table 4.

<sup>17</sup> "Energy giant Gazprom generates 20 percent of budget revenue – Medvedev," RIA Novosti, May 27 2008, <http://en.rian.ru/business/20080527/108607064.html> (September 24 2008).

<sup>18</sup> Bill Powell, "How the KGB (and friends) took over Russia's economy," CNN, September 10 2008, [http://money.cnn.com/2008/09/04/news/international/powell\\_KGB.fortune/index.htm?source=yahoo\\_quote](http://money.cnn.com/2008/09/04/news/international/powell_KGB.fortune/index.htm?source=yahoo_quote) (September 23 2008).

<sup>19</sup> "Russian lobby warns on West's economic clout," Reuters, September 10 2008.

abroad.” Shokhin was alluding to the Prime Minister Valdimir Putin’s attack on the mining company Mechel.<sup>20</sup>

Therefore it is hardly surprising the Russia has been so avidly pursuing Central Asian gas. Turkmenistan and Uzbekistan possess large reserves but have been constrained in the export of their gas supplies because of inadequate infrastructure.<sup>21</sup>

### Provoking the Unthinkable – Placing Armenia and Iran in Play

Whatever may be said about the Russians, it was the Georgian president Mikheil Saakashvili that began the recent crisis with a “surprise” attack on South Ossetia while the Russian Prime Minister Vladimir Putin was attending the opening of the Beijing Olympics. The decision to attack showed a total lack of understanding of the potential Russian and Western response.<sup>22</sup> The subsequent Russian attack overturned the original calculus for placing the BTC and BTE pipelines in Georgia in the first place; namely that Georgia would behave in a sufficiently responsible manner to warrant its new position as the East-West energy transit corridor. Rather, both Armenia and Iran begin to look like better bets.

Armenia’s days are perhaps far off because a rapprochement with Azerbaijan and Turkey would be required. But first steps have been taken. The Turkish President, Abdullah Gul, visited Armenia for a football match in early September, the first such state visit ever for these two countries. “Although I cannot go into details, some consensus was reached for the normalization of bilateral relations,” said a Turkish Foreign Ministry official. “Expectations should not be hyped, but the visit is clearly a goodwill gesture from Turkey.”<sup>23</sup>

Turkey had also launched the Caucasus Stability and Cooperation Platform, a name carefully chosen to distinguish it from the ill-fated

---

<sup>20</sup> Jonas Bernstein, “Putin’s Attack On Mechel – Another Siloviki Power Play?” July 28 2008, <[http://www.jamestown.org/edm/article.php?article\\_id=2373264](http://www.jamestown.org/edm/article.php?article_id=2373264)> (September 24 2008).

<sup>21</sup> Energy Information Agency, Central Asia, February 2008, <<http://www.eia.doe.gov/emeu/cabs/Centasia/pdf.pdf>> (September 21, 2008).

<sup>22</sup> Cf., Michael Evans, “Georgia: Reckless Saakashvili took on Russian Goliath Putin,” *The Times*, August 11 2008, <<http://www.timesonline.co.uk/tol/news/world/europe/article4500160.ece>> (September 21 2008).

<sup>23</sup> Sebnem Arsu, Turkey’s President Makes Historic Visit to Armenia, *The New York Times*, September 6 2008, <<http://www.nytimes.com/2008/09/07/world/europe/07turkey.html?partner=rssnyt>> (September 21 2008).

Stability Pact for Southeastern Europe which inspired it.<sup>24</sup> The pact would involve the three Caucasus countries plus Russia and Turkey. To be sure, some commentators think that this “platform” will prove ineffectual because of the deep-seated differences among the countries in the region.<sup>25</sup>

Iran increasingly asks to be heard, especially as a factor in the Nabucco project. Iran has vetoed the Trans-Caspian pipeline on “environmental” grounds.<sup>26</sup> So the only way that Turkmen gas] can get to Europe over land is through Russia or Iran. Iran is currently on the “bad boys” list because of its controversial uranium enrichment program. But politically, an increasingly assertive Russia could make Iran much more attractive as a partner.

The former director of the International Atomic Energy Agency Claude Mandil made a fact finding trip to Moscow in late September as part of his brief to help with the energy strategy for the EU French Presidency.<sup>27</sup> He said that there were two reasons the Nabucco project had not attracted investors: first, there is not enough gas, especially if Iran[ian] and Russian gas are currently excluded; second, the transit regime is not yet sufficiently transparent, especially in Turkey. For his part, the Iranian Oil Minister Gholam Hossein Nozari said in January: “Everybody has recognized that the Nabucco project cannot work without Iran: a country with 16 percent of the world's gas reserves cannot be ignored.”<sup>28</sup> The Hungarian oil giant Mol's Chairman Zsolt Hernadi said in September that Nabucco could only be filled with Iranian gas.<sup>29</sup>

### Playing all Ends against the Middle – Central Asian “Drive-bys”

Surrounded as they are by instability (Afghanistan) and three regional powers that covet their natural resources – Iran, Russia and China – the Central Asian states find themselves in a difficult position politically.

---

<sup>24</sup> Hasan Kanbolat, “What is Caucasian stability and cooperation? What can Turkey do in the Caucasus?” *Today's Zaman*, August 19 2008, <<http://www.todayszaman.com/tz-web/detaylar.do?load=detay&link=150578>> (September 21 2008).

<sup>25</sup> Michael Reynolds, “Turkey's troubles in the Caucasus,” Middle East Strategy at Harvard, August 30 2008, <[http://blogs.law.harvard.edu/mesh/2008/08/turkeys\\_troubles\\_in\\_the\\_caucasus/](http://blogs.law.harvard.edu/mesh/2008/08/turkeys_troubles_in_the_caucasus/)> (September 21 2008).

<sup>26</sup> “Iran against laying pipelines on the bottom of the Caspian Sea,” April 4 2008, <<http://www.oilru.com/news/81667/>> (September 24 2008).

<sup>27</sup> “No Nabucco without Russia,” *Kommersant*, September 24 2008, as translated by [opensource.gov](http://opensource.gov) CEP20080924950158.

<sup>28</sup> “Hungary: Nabucco Comes True if Iran Involved,” *Fars News Agency*, September 23 2008.

<sup>29</sup> “Both Nabucco and South Stream Likely To Be Built, Says Mol Chief”, MTI, September 2008.

Their natural survival mechanism is not to say no to anyone. As one Russian commentator has noted:

[W]hen people tell me that Uzbekistan or Kazakhstan is inclined toward a pro-Russian -- or rather pro-Gazprom -- position I am genuinely surprised. Because these countries have always diversified both economic and political risks. It can be concluded from this that they are playing along with us, and the Americans, and the Chinese equally. Here Saparmurat Nyyazow [former president of Turkmenistan] can be regarded as an example; he used to sign every contract and refuse no one. So all of this is Oriental cunning, which also must be reckoned with.<sup>30</sup>

The Russian leadership visited Tajikistan, Uzbekistan and Turkmenistan from August 29 to September 2.<sup>31</sup> These visits were largely intended to corner the market on Central Asian gas. Most importantly, Russia agreed to buy available Uzbek and Turkmen gas at market prices, which means, in effect that Russia will gain its profit on transit fees. At their meetings on September 1 to 2, Putin and the Uzbek President Islam Karimov agreed in principle to build a new pipeline to bring Uzbek gas to Europe through the Russian pipeline system. At Russia's behest, Karimov also apparently rearranged his schedule to attend the Collective Security Organization meeting in Moscow on September 5.<sup>32</sup>

Not surprisingly, the EU and the United States also targeted the Central Asian states to gain support for their projects including the contentious Trans-Caspian pipeline. After a US diplomat visited Turkmenistan on September 5, the following communiqué was issued: "The head of state and his guest specifically stressed the wide potential for cooperation in the energy sector, in which Turkmenistan, with its hydrocarbon resources of planetary [global] scales, is implementing a diversification strategy." A visit by the Turkish energy minister on September 2, 2008, to Turkmenistan also produced a commitment for multiple routes.

Signing agreements does not necessarily lead to pipelines. In May 2007, Turkmenistan and Kazakhstan signed a pipeline deal called the Prikaspiisky project. It remains on the drawing boards. However, with the Prikaspiisky and the Uzbek deals, Russia seems to be cornering the Central Asian market.

---

<sup>30</sup> Yevgeniy Belyakov and Andrey Biryukov, plus experts' comments collected by Aleksey Smirnov: "They Have Their Summit, We Have Ours" *Gazeta* [Moscow], September 8 2008.

<sup>31</sup> "Russia Busy with Intense Central Asia Diplomacy," *People's Daily Online*, <<http://english.peopledaily.com.cn/90001/90780/91343/6493220.html>> (September 22 2008).

<sup>32</sup> "Central Asia: Russia And United States Intensify Energy Competition," *Eurasia Insight*, May 9 2008.

More evidence that the Central Asian states like to play off the major powers against each other can be seen in the deal that Turkmenistan signed on August 29 with China to export more gas eastwards once a pipeline via Uzbekistan and Kazakhstan is finished. This agreement followed directly on the heels of the Russian deputy Prime Minister's visit to Ashgabat. With Central Asians, the real negotiations begin only after the deal is signed.

### **“Unity? What’s That?” - Economic Nationalism in Europe**

One of the more remarkable features of the recent controversy over the perceived reliance on Russia for natural gas is the lack of unity among European states. Instead of presenting a common approach towards Russia, several states have cut side deals, in particular the North Stream and South Stream projects. Also surprisingly, some of the states such as Poland and Ukraine most dependent on Russia for natural gas have been the most vociferous in their condemnation of Russia's invasion of Georgia. The EU approach to Russia after the conflict reflected these divisions.

Although the figure most often touted is that Europe relies on Russia for 25 percent of its natural gas, exposure varies widely as Table One indicates. Some countries such as Finland and Slovakia depend almost exclusively on Russia. Others such as Germany and Austria have considerable but not exclusive exposure. Still others such as the United Kingdom have virtually none. Moreover the importance of these imports also varies.

**Table 1.** Major Recipients of Russian Natural Gas Exports, 2006-2007

<b>Rank</b>	<b>Country</b>	<b>2006 Exports (bcf/y)</b>	<b>2007 Exports (bcf/y)</b>	<b>2006 percent of Domestic NG Consumption</b>
1	Germany	1,339	1,378	37
2	Turkey	703	828	64
3	Italy	756	742	25
4	France	353	346	20
5	Czech Republic	261	247	79
6	Poland	272	247	47
7	Hungary	272	226	54
8	Slovakia	240	223	100
9	Austria	233	191	74
10	Finland	173	166	100
11	Romania	180	138	28
12	Bulgaria	113	120	96
13	Greece	95	111	82

	Serbia			
14	& Montenegro	74	74	87
15	Croatia	35	35	37
16	Slovenia	25	18	64
17	Switzerland	14	11	12
18	Macedonia	4	4	100
	<b>Total</b>	<b>5,145</b>	<b>5,105</b>	
<u>Sales to Baltic &amp; CIS States</u>				
1	Ukraine	2,085	2,240	66
2	Belarus	724	763	98
3	Lithuania	99	122	96
4	Latvia	49	72	74
5	Armenia	57	71	99
6	Estonia	25	49	11
7	Georgia	49	36	99
8	Kazakhstan	28	32	3
	<b>Total</b>	<b>3,117</b>	<b>3,385</b>	

Sources: "Domestic Consumption" EIA International Energy Annual, 2007; "Exports 2006 and 2007" Gazexport as cited by Energy Intelligence, March 2008, and 2008 Gazprom 1Q Quarterly Report; "Sales to Baltic and CIS States 2007", CIS and E. European Databook, 2006 from Gazprom Annual Report.

The situation in Germany is particularly instructive because it is the largest consumer of natural gas and wants to use more largely for domestic political reasons. According to the German Federal Environmental Agency (UBA from its German acronym), natural gas provides only 11 percent (70 TWh/y) of electricity in 2005.<sup>33</sup> In order to meet a 40 percent decline in carbon emissions by 2020, UBA proposes that the percentage of electricity produced by natural gas increase to 30 percent (165 TWh/y). They argue that this would reflect only a 3 percent increase because of savings that they hope to achieve in the heating sector.

The attractiveness of natural gas over coal in reducing the carbon footprint is well established.<sup>34</sup> Natural gas has only 60 percent of the carbon content of coal for the equivalent amount of energy. Moreover, modern natural gas turbines are about 30 percent more efficient than the older turbines associated with coal plants. This explains the preference UBA has for natural gas. So even though German politicians talk about

<sup>33</sup> Jens Tambke, Christoph Erdmenger, Hauke Hermann, and Harry Lehmann, "A Climate Protection Strategy for Germany - 40 percent Reduction of CO<sub>2</sub> Emissions by 2020 compared to 1990, 2007," World Energy website, <<http://www.worldenergy.org/documents/p001419.doc>> (September 21 2008).

<sup>34</sup> James E. Kloeppel, "Substituting natural gas for coal offers long-term climate benefits," News Bureau-University of Illinois, March 7 2002, <<http://www.news.uiuc.edu/scitips/02/0703fuels.html>> (September 26 2008).



renewable energy, they are going to achieve their objectives by switching more heavily to natural gas and increasing their “reliance” on Russia.

The German environment minister was especially critical of the Green Party’s proposals to substitute natural gas for nuclear and coal power:

Even if we achieved the goal of 30 percent of our energy coming from renewable sources by 2020, 70 percent of our energy needs would still have to be met. Achieving this with natural gas alone, as the Greens and some environmental groups are demanding, would be extremely costly for industry and for consumers. The future Russian president has already said that natural gas prices will increase by 40 percent in 2008. If we relied completely on gas, the price of electricity would skyrocket. Let the Greens explain that to the public.<sup>35</sup>

For his part, the Green Party’s Chief, Reinhard Buetikofer explicitly rejected any new coal-fired power plants: “Gas should be used for electricity, which in future must still be produced from fossil energy.”<sup>36</sup>

German industry is also intent on accommodating Russia. The Social Democratic Party has had a keen interest in engaging Russia since the days of Willy Brandt’s Ostpolitik. Many also viewed with skepticism the SPD’s approach when the former SPD chancellor Gerhard Schroeder took a seat on the board of the North Stream project. Some sources argue that Germany contributes up to 40 percent of EU investment in Russia.<sup>37</sup> The foreign policy spokesperson for Chancellor Angel Merkl’s Christian Democratic Union Eckart von Klaeden said he can see how German industry may “feel their business is threatened. But they also say that politics should remain in the political sphere and that the two sides should never mix.” For his part the former American ambassador to Germany John Kornblum has said, “Germans are very, very ready to take the Russians’ side. This crisis will make the appeasers even more appeasing than they have been until now.”

Some of the countries most exposed to Russian natural gas seem the least intimidated by Russia. As *Time* magazine noted:

On the night of Aug. 12, a day when Russian planes dropped cluster bombs on the town of Gori, the Presidents of Estonia, Latvia,

---

<sup>35</sup> “Spiegel Interview With German Environment Minister Sigmar Gabriel: ‘Butting Heads with the Americans Doesn’t Do Any Good,’” *Spiegel Online International*, January 29 2008 <<http://www.spiegel.de/international/germany/o,1518,531852,00.html>> (September 26 2008).

<sup>36</sup> “Coal Will Continue To Play Role,” *Die Welt*, July 25 2008, <[http://www.welt.de/welt\\_print/article2249149/Kohle-wird-weiter-eine-Rolle-spielen.html](http://www.welt.de/welt_print/article2249149/Kohle-wird-weiter-eine-Rolle-spielen.html)> (September 22 2008).

<sup>37</sup> James Graff, “Russia: In Search Of Unity,” *Time*, September 4 2008.

Lithuania, Poland and Ukraine took the stage in front of the Georgian parliament building beside Georgian President Mikheil Saakashvili. "Everyone who believes in democracy says today, 'I am Georgian!'" said Estonian President Toomas Hendrik Ilves. His Polish counterpart, Lech Kaczyński, railed against Russia: "Today Georgia, tomorrow Ukraine, the next day perhaps my country!"<sup>39</sup>

For their parts, both Finland and Sweden have begun to rethink their opposition to joining NATO.<sup>40</sup>

## Conclusions and Observations

In sum, the Georgian War seems to have had little effect on projects such as Nabucco - it was not perceived to have enough gas to make the project commercially viable and this perception remains. The North Stream and South Stream projects continue apace. Russia is still treated as a reliable supplier.

There is good reason for Europeans to believe that Russia will not turn off the spigot - its adventurism is financed by Europe's euros. Without Europe, Gazprom and the Russian petrostate would cease to function. It is not accidental that the newly assertive Russia appeared beginning in 1999. It was not Vladimir Putin but the rise in the price of the oil that has emboldened Russia. The price of oil was US\$10 a barrel in 1999. It is over ten times that today.

Europe is not going to lessen its dependence on natural gas. The desire to address the climate change challenge will increase the amount of natural gas used for electricity generation over other means that are cheaper and readily available such as coal and nuclear energy. In a very real sense, German Greens and industrialists are financing a resurgent Russia.

---

<sup>39</sup> Graff, "Russia: In Search Of Unity," September 4, 2008.

<sup>40</sup> "Finland: PM Criticizes Russia, FM Sees 'Reason To Consider' NATO Membership," leading Finnish independent daily *Helsingin Sanomat*, August 26 2008 (EUP20080826503003; "Liberals Want Sweden To Take Part in Baltic Air Patrols, NATO Reaction Force," *Dagens Nyheter*, 28 August 2008 (EUP20080828340006).

# East Asian Energy Cooperation: China's Expanding Role

*Gaye Christoffersen*\*

## ABSTRACT

This paper examines Chinese and East Asian efforts at energy cooperation in expectation of moving towards an East Asian energy regime. The realization of East Asian energy cooperation depends on the nature of China's role in a regional energy regime. China seeks a regional leadership role while at the same time it grapples with domestic structural weakness in pollution, energy supply and energy demand. During 2007 this dilemma of seeking regional leadership despite domestic weakness seemed especially acute. Beijing would respond to regional dilemmas, international criticisms and domestic governance issues by promoting further domestic energy reform, and organizing China's first multilateral energy initiative.

*Keywords* • China • East Asia • Energy Cooperation • Domestic Governance (China)

## Introduction

The International Energy Agency (IEA) in its *World Energy Outlook 2007*, issued November 2007, claimed China would be a main factor behind global warming, the world's largest emitter of greenhouse gas emissions, unless it changed its fuel-intensive economic model, improved energy efficiency and adopted alternative energy sources. Wang Siqiang, Deputy Director of the energy office of the National Energy Leading Group, disputed the IEA's conclusions, calling them "subjective" in interviews with the Chinese media.

Although Beijing feels pressured by the IEA, and publicly may appear to resist the IEA's recommendations, it has also benefited from its advice for many years, collaborating in workshops and data collection related to oil security. IEA was created by the OECD countries for the purpose of

---

\* Gaye Christoffersen is an Associate Professor of Political Science and Asian Studies at Soka University of America, Aliso Viejo, California. This article is a revised version of a paper presented at the "Fourth Graduate Seminar on China," organized by the Universities Service Centre for China Studies and CUHK-Chiang Ching-kuo Foundation Asia-Pacific Centre for Chinese Studies, Chinese University of Hong Kong, January 2008. I would like to thank my anonymous reviewer.

increasing their collective energy security through adopting energy policies that adhere to the 3Es—energy efficiency, economic competitiveness, and environmental sustainability. IEA membership requires a strategic petroleum reserve (SPR) and removal of energy subsidies which undermine energy efficiency. Although China does not meet the criteria for OECD membership, Chinese domestic oil demand and oil imports have major impact on the world oil market. There is concern that China might become a “free-rider” during an oil crisis when IEA countries would release their SPR to respond to the emergency in order to maintain global oil market stability. China would benefit from market stability without having to release its own SPR.<sup>1</sup> China is often portrayed in the media as a rogue energy consumer with an out-of-control domestic oil demand.

With reference to China, the IEA’s *World Energy Outlook 2007* asked how China intended to meet its rising demand, noting that China would overtake the United States as the world’s largest energy consumer sometime after 2010. The IEA predicted China’s net oil imports would increase from 3.5 mb/d in 2006 to 13.1 mb/d in 2030.<sup>2</sup>

There is a sharp contrast between the media focus (in China, Japan and the US) on energy rivalries and “petro-nationalisms,” and the actual concrete practices of international energy cooperation. China’s earliest international cooperation project was probably the World Bank mission in October 1980 whose advice would guide early reform efforts in the energy sector.<sup>3</sup> The author first became aware of this contrast between media rhetoric and actual cooperation while participating in the China Energy Study at the East-West Center 1984-87. At that time, China was exporting petroleum product at prices that undercut the market. The media accused Beijing of dumping petroleum product in order to control the Asia-Pacific oil market. The reality was that engineers at Chinese refineries had been using hand held calculators, which took much longer, making it impossible to accurately price petroleum product exports. The Energy Study created a computer model for refinery operations to assist Sinopec in determining refinery output.

At the bilateral and global level, Beijing has been a willing recipient of advice and technology transfer from the US, Japan, the EU, and international organizations such as the World Bank and the IEA. The World Bank has been enlisted as outside support to help Chinese energy

---

<sup>1</sup> International Crisis Group, *China’s Thirst for Oil*. Asia Report no. 153, June 9 2008, <[www.crisisgroup.org/home/index.cfm?id=5478&l=1](http://www.crisisgroup.org/home/index.cfm?id=5478&l=1)> (September 1 2008).

<sup>2</sup> International Energy Agency, *World Energy Outlook 2007 Fact Sheet – China*, <[www.iea.org/textbase/papers/2007/fs\\_china.pdf](http://www.iea.org/textbase/papers/2007/fs_china.pdf)> (September 1 2008).

<sup>3</sup> World Bank, *China: Socialist Economic Development. Volume II The Economic Sectors: Agriculture, Industry, Energy, Transport, and External Trade and Finance*, (Washington DC: The World Bank, 1983), Annex E The Energy Sector, pp. 181-270.

reformers implement energy pricing, environmental protection and energy-efficiency projects, and meet the requirements of international environmental conventions. The World Bank since the early 1980s has invested US\$6.9 billion in energy projects in China.

At the December 2007 U.N. Climate Change Conference in Bali, Robert Zoellick, President of the World Bank, discussed with Chinese delegates how they could cooperate on financing the carbon trading market, developing projects for a CDM (clean development mechanism) and CCS (carbon capture and storage) technology under the Kyoto Protocol.<sup>4</sup> In May 2008, the World Bank announced three new projects on energy efficiency and reduction of pollution emissions from power plants. Loans for these three projects, at US\$441 million, represent almost one-third of World Bank financing for fiscal 2008 for China.

At the bilateral level, China's energy partnerships with the US and Japan have facilitated technology transfer from the two countries that many consider China's energy rivals. During Prime Minister Fukuda's December 2007 visit to Beijing, cooperation on climate change was primary as he urged China, as an increasingly influential nation, to take a leadership role at the global level on climate change. He announced that Japan would assist China in training 10,000 Chinese on environmental protection and energy conservation technologies over a period of three years beginning in 2008.

Beijing and Tokyo signed agreements to cooperate on climate change and they issued a joint communiqué on environmental and energy technology transfer. They agreed that whatever greenhouse gas emissions reductions were achieved by Japanese ODA (Official Development Assistance), a portion of the Chinese quota could be purchased by the Japanese government and corporations under emissions trading arrangements of the Kyoto Protocol, part of the clean development Mechanism (CDM). Approximately 30 percent of Japan's yen loans to China since 1980 have been environment-related.

This energy cooperation provided incentives to resolve the dispute over the East China Sea gas fields. Chinese media reported that both sides would "adhere to the five-point consensus achieved by the leaders of the two countries in April 2007 in a bid to turn the East China Sea into a sea of peace, cooperation and friendship."<sup>5</sup> Discussions between Tokyo and Beijing are ongoing.

The regional level of East Asian energy cooperation presents China with a dilemma as it seeks regional leadership in many functional areas such as energy, while at the same time it grapples with domestic

---

<sup>4</sup> Wang Xiaoyuan, "World Bank and China to increase cooperation in environmental projects," *Interfax China*, December 19 2007.

<sup>5</sup> "Leaders reach consensus on East China Sea issue," *China Daily*, December 28 2007, <[www.chinadaily.com.cn/china/2007-12/28/content\\_6356427.htm](http://www.chinadaily.com.cn/china/2007-12/28/content_6356427.htm)> (September 1 2008).

structural weakness in pollution, energy supply and energy demand. Although Beijing has aspirations to be a regional leader, its weak domestic capacity to manage energy demand and environmental pollution undermines its search for a leadership role. At most Beijing could lead the developing world on the issue of climate change by claiming that it is the developed countries that should take primary responsibility for past greenhouse gas emissions.<sup>6</sup> This position on climate change appealed to some parts of the developing world but was not compatible with demonstrating leadership in East Asia on climate change nor would it facilitate challenging Japan's regional leadership on energy and environment.

During 2007 this dilemma of seeking regional leadership despite domestic weakness seemed especially acute. Beijing would respond to regional dilemmas, international criticisms and domestic governance issues in December 2007 with a White Paper entitled *China's Energy Conditions and Policies*.<sup>7</sup> This was China's first white paper on energy, a paper that addressed both domestic management problems and international cooperation. The White Paper reflected the principle of standing firm domestically while carving out internationally, a principle that governed energy policy planning from 2003.

During 2007 and the first half of 2008, Beijing and Tokyo developed a bilateral consensus on energy and climate change that would support a series of Japan-led multilateral meetings. Beijing was able to establish a role for itself in an emerging regional energy architecture while also pursuing a strategy supportive of Tokyo.

This article will focus on East Asian practices of energy cooperation which happen at the bilateral and regional levels, and examine Beijing's efforts to find a role for itself among the numerous energy cooperation initiatives currently being considered.

### **The Five-Country Energy Ministers' Meeting**

China initiated the Five-Country Energy Ministers' Meeting, which met for the first time in Beijing, December 2006. Member countries included: China, India, Japan, South Korea, and the United States. The Joint Statement issued from the meeting addressed all the energy security issues other energy initiatives have addressed: the need for energy conservation and efficiency, cooperation building strategic petroleum reserves (SPR), greater transparency of energy data, safeguarding the

---

<sup>6</sup> Gorild Heggelund, "China's Climate Change Policy: Domestic and International Developments," *Asian Perspective* 31, 2 (2007), pp. 155-191.

<sup>7</sup> People's Republic of China State Council Information Office. *White Paper on China's Energy Conditions and Policies*, <[www.china.org.cn/english/environment/236955.htm](http://www.china.org.cn/english/environment/236955.htm)> (September 1 2008).

SLOCs for energy transport, diversification of energy supply and energy mix, and maintain stability of international oil markets.<sup>8</sup>

Energy initiatives may have several purposes: infrastructure development, financing mechanisms, regulatory framework, research and development, information sharing, and capacity building.<sup>9</sup> There are 90+ energy initiatives in the Asia-Pacific region, many with similar content. It is often difficult to distinguish among them since most uphold similar principles. Because there are so many initiatives, the Asia Pacific Energy Research Centre (APEREC) catalogued all the regions' energy initiatives, trying to identify where there are gaps and overlapping activities between them, and impediments to achieving their goals.<sup>10</sup>

What could distinguish the Chinese initiative? The Minister of the National Development and Reform Commission (NDRC), Ma Kai, claimed the meeting was building a "new concept of energy security." The five countries are the major consuming countries in the world, accounting for 42 percent of total world oil demand. Ma Kai made a six-point proposal for developing energy cooperation among the five countries which was incorporated into the Joint Statement. The proposal called for cooperation on energy conservation, diversification away from oil dependence through development of alternative energy, research on needed technologies and increasing energy supply.

What might be considered new is the stress on a commonality of interests between China, the U.S., Japan, India, and South Korea, especially after years of a domestic media frenzy in China, Japan and the U.S. regarding petro-nationalism and oil competition among the three consuming nations that sold many newspapers but overlooked years of cooperation.

Collaboration among consuming countries could lead to greater coordination of strategic petroleum reserves (SPRs) in the event of a crisis in the international oil market, and also useful to build solidarity as prelude to a producer-consumer dialogue, a dialogue between producing and consuming countries.

The December 2006 Beijing Five-Country meeting was organized by China's National Development and Reform Commission (NDRC), and focused on the need to manage Chinese energy demand rather than primarily invest in an ever increasing supply. Domestic pricing reform

---

<sup>8</sup> "Joint Statement of the Five-Country Energy Ministers' Meeting," December 16, 2006, <[www.gov.cn/misc/2006-12/16/content\\_471001.htm](http://www.gov.cn/misc/2006-12/16/content_471001.htm)> (September 1 2008).

<sup>9</sup> *Ibid.*

<sup>10</sup> Asia Pacific Energy Research Centre (APEREC), *Understanding International Energy Initiatives in the APEC Region: Scope and Elements*, <[www.ieej.or.jp/aperc/2007pdf/2007\\_Reports/APERC\\_2007\\_UIEI.pdf](http://www.ieej.or.jp/aperc/2007pdf/2007_Reports/APERC_2007_UIEI.pdf)> (September 1 2008).

and management of energy demand has eluded energy reformers for decades.

Chinese energy reformers in the NDRC differ with Chinese oil and gas producers-China National Petroleum Corporation (CNPC) and its listed arm PetroChina Corporation, China Petroleum & Chemical Corporation (Sinopec), and China National Offshore Oil Corporation (CNOOC). Chinese national oil companies (NOCs), persist in patterns learned over decades of the planned economy to invest in an ever-expanding energy supply. Reformers support greater investment in controlling energy demand.

The NDRC's counterpart in the U.S. is the U.S. Department of Energy. Official U.S. energy diplomacy, when guided by this government agency, has stressed that energy security is not a zero-sum game, that no nation's energy security could be attained at the expense of other nations. U.S. Secretary of Energy Samuel Bodman, during the Five-Country Meeting, emphasized that the U.S. and China are not competing against each other for increasingly scarce energy resources.

In December 2006, the NDRC had just established China's first SPR, the Zhenhai National Oil Reserve Base in Ningbo City, Zhejiang Province, after years of haggling between the government and the Chinese NOCs over who would pay for the SPRs. It would take another year before the NDRC could announce in December 2007 that the Zhenhai National Oil Reserve Base had officially passed a one-year operation trial and had been filled.<sup>11</sup>

Nevertheless, the official establishment of the Zhenhai SPR, whether or not it was filled, made it possible to then meet with other consumer countries to discuss coordinating SPRs during the Five-Country Energy Minister's Meeting in December 2006. The meeting in turn would help further a reform agenda domestically in China during 2007, and would bear fruit in the form of a White Paper on energy issued December 2007. In reviewing the history of energy reform that led to the White Paper, it is clear that strengthening Chinese domestic capacity and building an East Asian/global energy regime were mutually constitutive.

### Recent History of Chinese Energy Reform

China's central government was able to reduce industrial energy intensity during the 1980s in the State-owned enterprises. At that time, provinces were just beginning to establish township and village enterprises that would eventually cause energy demand to rapidly escalate. From 1981 to 1987, total Chinese primary energy consumption

---

<sup>11</sup> "China's first national oil reserve base passes trial operation period," *Interfax China*, December 19 2007.



increased 43 percent. However, Chinese energy intensity declined by 25.6 percent if measured in terms of the energy/output ratio due to increased energy efficiencies through price increases and conservation, especially in energy-intensive heavy industry.<sup>12</sup> Energy demand was also checked by economic slumps following the 1989 Tiananmen Incident and in the aftermath of the 1997 East Asian Financial Crisis.

China's recent oil crisis dates from 2001, driven by the center's inability to manage provincial energy demand. The provinces have shifted back to energy-intensive industries, heavy industrial enterprises, which is a consequence of competition among provinces and cities to expand their own GDP.<sup>13</sup> Local refineries, "teapots," meet this provincial demand outside the control of the center. The problem is systemic in nature, not easily fixed with any particular energy policy, and increasingly straining China's capacity for energy demand management. In addition to burgeoning domestic demand, the Iraq War in 2003 amplified the sense of crisis and the need for a new oil strategy.<sup>14</sup>

From around this time, there is evidence that domestic energy reform and East Asian energy cooperation became intertwined in Chinese thinking. A roundtable discussion at People's University in April 2003 linked Chinese oil import security, an East Asian Energy Community, identifying an appropriate governmental organization for managing energy, and the need for strategic oil reserves.<sup>15</sup> That same year, the Chinese Society of Asia-Pacific Studies promoted the establishment of an East Asian energy community.<sup>16</sup>

Energy reformers in the NDRC studied Russian, American, and Japanese energy diplomacy and oil security strategies, trying to ascertain how China could strengthen its institutional capacity for foreign energy diplomacy. They felt China had a much weaker capacity than these other countries.<sup>17</sup> Suggestions for strengthening domestic capacity and China's

---

<sup>12</sup> Xiannuan Lin, *China's Energy Strategy: Economic Structure, Technological Choices, and Energy Consumption* (Westport, Connecticut: Praeger, 1996), p. 29.

<sup>13</sup> Daniel H. Rosen and Trevor Houser, *China Energy: A Guide for the Perplexed*. (Peterson Institute/CSIS China Balance Sheet Project, May 2007), <[www.iie.com/publications/papers/roseno507.pdf](http://www.iie.com/publications/papers/roseno507.pdf)> (September 1 2008).

<sup>14</sup> Foreign Broadcast Information Service (FBIS) Report, "China: Mapping Out New Oil Strategy to Avert Oil Crisis," April 4, 2003, CPP20030404000159.

<sup>15</sup> Zha Daojiong, "China's Energy Security after the Iraq War: summary report of a roundtable discussion," Center for International Energy Security, Renmin University of China, Beijing, April 8 2003.

<sup>16</sup> Yu Xintian, "East Asian Cooperation in the Early 21st Century," paper presented at the Fifth Annual Meeting of the Chinese Society of Asia-Pacific Studies, in *Dangdai Yatai* 10 (2003), pp. 3-9.

<sup>17</sup> Feng Yujun, Ding Xiaoxing and Li Dong, "Russia's New Energy Diplomacy and Its Impact," *Contemporary International Relations* 12, 10 (2002).

capacity to withstand oil shocks all focused on greater cooperation with these major oil-consuming states and perhaps even joining the IEA.<sup>18</sup>

A joint study by the NDRC's Energy Research Institute and the State Council's Development Research Center outlined an energy strategy for China that proposed making energy efficiency a priority in China's energy strategy with domestic demand better managed, facilitated by China joining international cooperation frameworks. The initial draft had come out in November 2003, but the final draft was issued in June 2004.<sup>19</sup>

The report, *China National Energy Strategy and Policy 2020*, identified problems all related to the lack of domestic governance capacity: lack of comprehensive national energy strategies with legal authority, lack of scientific decision making, lack of law enforcement capacity for energy laws, and lack of policy coordination between oil, coal, electricity and nuclear producers. The report criticized Chinese state-owned national oil companies (NOCs) for inappropriate control of oil policy formulation and implementation that led to government policies focused on increasing energy supply rather than reducing energy demand.

Domestic capacity was somewhat strengthened in 2005 by reorganizing the energy bureaucracy, creating a Leading Group on Energy. The Group's responsibilities included providing macro leadership for the national energy plan and promoting international cooperation.<sup>20</sup> This strengthening of the Chinese energy bureaucracy and leadership was necessary for progress in multilateral energy cooperation.

In 2005, Chinese energy experts from the Energy Research Institute and the State Development Research Center would articulate a logic, rules and principles for regional cooperation and then present them at regional East Asian energy conferences.<sup>21</sup>

China's weak domestic capacity to manage energy demand and environmental pollution remained acute in the oil sector. Beijing claims China's oil demand increased 5.3 percent/year while the IEA forecasted 5.9 percent/year increases. The simple market fix would be to raise domestic prices for gasoline and diesel but Beijing is more concerned with inflationary pressure from price increases and consumer discontent. Instead of price reform, the NDRC pressured state-owned refineries to

---

<sup>18</sup> Gong Xuzheng, "Viewing China's Oil Diplomacy from the 'Angarsk-Daqing Line' Tussle," *Guoji Luntan* 6 (November 2003), pp. 46-52, in FBIS, December 17, 2003, CPP20031217000209.

<sup>19</sup> Development Research Center of the State Council and the Energy Research Institute, *China National Energy Strategy and Policy 2020* (June 2004).

<sup>20</sup> "China to set up task force dealing with growing energy crisis," *Petroleumworld* May 2, 2005.

<sup>21</sup> See Christoffersen, "The Dilemmas of China's Energy Governance: Recentralization and Regional Cooperation," *China and Eurasia Forum Quarterly* (Special Issue on Energy & Security) 3, 3 (Nov. 2005), pp. 55-79.

increase output. Chinese diesel imports in November 2007 had increased 37.1 percent year-on-year as domestic demand continued to go unchecked.<sup>22</sup> As oil imports continue to expand, China becomes increasingly vulnerable. The NDRC created SPRs to reduce that vulnerability to a sudden supply cut.

The NDRC during 2007 shut down 553 small thermal power generators, less efficient and more polluting, with a total capacity of 14.38 million kilowatts to reduce pollution and save energy. These were often locally owned and located primarily in the coastal region. Local governments were ordered to crackdown on gas stations that were hoarding or raising prices without government authorization. The NDRC ordered the creation of an early warning system to respond to emergency fuel shortages.

The NDRC during 2007 closed down small, independent refineries, "teapots," as polluting and inefficient but as gasoline shortages increased, teapots were encouraged to re-open. The majority of teapots are in Shandong and Guangdong with the rest spread across the country, located near oil fields.

In October 2007, gas stations were rationing and halting gasoline and diesel sales, because the large state-owned refineries were reducing output, closing for "maintenance," and "hoarding" as the gap increased between the international oil market price for crude (around US\$100/barrel) and the controlled price refineries could sell oil products.

The NDRC issued a request in November (as it had in August) to state-owned oil companies to expand the supply of oil products, ordering them to operate at full capacity. As an incentive, the NDRC raised domestic prices of gasoline and diesel by 500 yuan/ton on November 1, making gasoline 5,980 yuan/ton and diesel 5,520yuan/ton. This did not take refinery profits out of the red.

Sinopec and PetroChina had announced in April 2007 they would import more oil to expand domestic supply. The NDRC ordered the state-owned oil companies to sell domestically produced crude oil to the small independent refiners, the teapots. The teapots were in turn required to sell 60 percent of refined product back to Sinopec and PetroChina. The NDRC offered subsidies to the state-owned companies, Sinopec and PetroChina, in the form of profit rebates and reduction of oil import duties to offset refinery losses due to the rising international oil market price of crude. The subsidies to refineries downstream are financed from windfall taxes levied on upstream Chinese oil producers, approximately 60 billion yuan in 2007.

During 2007, Beijing vacillated on whether to close down the "teapots" because it would exacerbate fuel shortages and create unrest in

---

<sup>22</sup> "Chinese diesel imports soar in November," *Interfax China*, December 18 2007.

local communities where teapots provide jobs. Because the teapots are vulnerable to closure by the NDRC and competition from the state-owned companies, some in the coastal areas, concentrated in Shandong and Guangdong, had hoped to attract foreign partners to form alliances that would help them in China's domestic market, but the NDRC passed new guidelines in August 2007 prohibiting foreign investment in small and mid-sized refineries (annual capacity of 160,000 bpd or less).

Chinese domestic oil demand calculations in the past were based on state-owned refinery output added to net imports with teapot output a gray area often unaccounted for although it contributed a large portion of total petroleum product. As Chinese demand increasingly impacted the total world oil supply, as China became the world's second largest energy consumer, past practices were insufficient and no longer solely a domestic issue.

In September 2007, the Energy Research Institute under the NDRC conducted a national survey of teapots as prelude to restructuring the refining industry. The ERI had the previous year signed an agreement with Norway's DNV to develop a measurement system of China's energy consumption that would bring it up to international standards. Data from the survey could then be used to crackdown on teapots. Far from being insignificant, teapot refiners accounted for 21 percent of total Chinese refining capacity.<sup>23</sup> The IEA encouraged the audit of teapot refineries because this would increase the accuracy of the IEA's own oil demand forecasts for China.

Following the audit, Beijing began consolidating its control over the teapots, either by having the state-owned oil companies buy out the small refineries, or by creating fuel oil associations controlled by Sinopec that teapots would have to go to obtain their crude supply.

### **Japan and the East Asian Summit's 2007 Cebu Declaration**

China's Five-Country Energy Ministers' Meeting in December 2006 was quickly overshadowed by the Japan-supported East Asian Summit (EAS) in January 2007 when the EAS issued the "Cebu Declaration on East Asian Energy Security." The Five-Country Energy Ministers' Meeting appeared to be a one-off meeting that did not get institutionalized, with little international media attention.

Momentum for East Asian energy cooperation can be traced to the January 2002 announcement by Prime Minister Koizumi that Tokyo intended to form an East Asian Energy Community, using ASEAN+3 as the framework. An East Asian Energy Community was meant to enhance Japan's regional leadership role in non-traditional security issues

---

<sup>23</sup> "Teapot' refiners 21 pct of China capacity - study," *Reuters*, April 28 2008.

as a consumers' dialogue of net importers.<sup>24</sup> The Framework did not include Russia or the DPRK. Japan's energy relations with ASEAN were key to its leadership role in East Asia.

ASEAN's partnerships with outside powers have drawn on the ASEAN framework. In 2004, ASEAN issued its ASEAN Plan of Action for Energy Cooperation (APAEC) 2004-2009. The APAEC list of cooperative partnerships with ASEAN Dialogue Partners included Japan, Australia and the European Union. Among the 6 APAEC cooperation programs, the newly established Regional Energy Policy and Planning program is where information sharing, capacity building in planning and data base management, and a region-focused energy policy is formulated. It is where ASEAN addresses energy issues with Dialogue Partners and international organizations. Throughout the entire APAEC document, the U.S. is conspicuously absent.<sup>25</sup>

In May 2006, at the 19<sup>th</sup> ASEAN-U.S. Dialogue, ASEAN had urged the U.S. to increase cooperation to promote energy efficiency, and affordable technologies for renewable and alternative energy. In July 2006, a five-year action plan to promote trade, investment and political ties was signed with energy cooperation one of the issues.

The Cebu Declaration announced that member countries would increase utilization of alternative energy and reduce dependence on fossil fuels. It called for greater private sector investment in energy infrastructure. This meeting also proposed formation of an Economic Research Institute for ASEAN and East Asia (ERIA) with the secretariat based at JETRO and ADB. Japan proposed a Track II study group to support EAS, the Comprehensive Economic Partnership in East Asia (CEPEA). The U.S. government indicated its opposition to any trade bloc that excluded the U.S. but there was no criticism of the Cebu Declaration on East Asian Energy Security, and in fact there was very little coverage of the EAS in major U.S. newspapers at that time.

The Cebu Declaration primarily referred to regional energy infrastructure that is in Southeast Asia, the ASEAN Power Grid and the Trans-ASEAN Gas Pipeline, projects that have been developed under the auspices of the ASEAN Plan of Action for Energy Cooperation (APAEC), but no mention of Northeast Asian regional energy infrastructure.

A background paper written for the 2<sup>nd</sup> EAS cautioned against unnecessary duplication of energy initiatives but recognized that one

---

<sup>24</sup> Christoffersen, "The Politics of Oil Security," presented at the *Global and Regional Security Governance Workshop*, Institute on Global Conflict and Cooperation and Institute for International, Comparative and Area Studies, University of California, San Diego, October 3 2002.

<sup>25</sup> ASEAN Plan of Action for Energy Cooperation (APAEC) 2004-2009, <[www.aseansec.org/pdf/APAEC0409.pdf](http://www.aseansec.org/pdf/APAEC0409.pdf)> (September 1 2008).

potential benefit of EAS energy cooperation is that it could extend energy security initiatives from other regional fora, APEC and ASEAN+3, to India which is a member of EAS but not the other organizations.<sup>26</sup> Indian energy demand has attracted more international attention since the IEA identified Chinese and Indian rising oil demand and oil imports as a threat to global energy security. India, unlike China, does not belong to any of the regional energy projects except EAS.

The goals of the Cebu Declaration are very similar to other energy initiatives in the Asia-Pacific, making it difficult to distinguish it from others. APERC has described the Cebu Declaration as not having set concrete mechanisms but rather providing a broad outline of intended measures, a declaration that had not yet been institutionalized.<sup>27</sup> This kind of initiative that doesn't move beyond the declarative stage is often called a "zombie initiative."

Commentary on the Cebu Declaration claimed it was the EAS' effort to demonstrate that it could propose concrete, action-oriented programs, that it was more than a forum for ASEAN Plus Three (APT or ASEAN+3).<sup>28</sup> Given that Cebu seems to duplicate ASEAN+3 energy cooperation, it was symbolic of the Chinese-Japanese, APT-EAS rivalry in East Asian regional regime formation. New Zealand's Prime Minister noted Cebu was a welcome first step but lacked concrete targets and a concrete table for results. The World Wildlife Fund argued that if Cebu were to have an impact on climate change, it would need to identify targets and develop stronger rules.<sup>29</sup>

In June 2007, the EAS held an Energy Efficiency and Conservation Conference in Tokyo, attended by government and business leaders and researchers. The meeting presented the East Asian countries' experience of energy conservation with the Japanese experience held up as the model to be emulated. To promote EAS conservation, Japan announced it would dispatch 500 energy experts and receive 1,000 trainees over a five year period. The purpose of this conference was to build state and societal capacity to implement energy conservation.<sup>30</sup>

---

<sup>26</sup> Robert Curtotti, *et al*, *A Background Paper on Energy Issues for the 2<sup>nd</sup> East Asia Summit*, REPSF Project No. 06/003, ASEAN-Australia Development Cooperation Programme, Regional Economic Policy Support Initiatives, November 2006, <[www.aadcp.org/repfs/docs/06-003-FinalReport.pdf](http://www.aadcp.org/repfs/docs/06-003-FinalReport.pdf)> (December 1 2008).

<sup>27</sup> APERC, *Understanding International Energy Initiatives in the APEC Region*, p. 127.

<sup>28</sup> *The 10th ASEAN+3 and the 2nd East Asia Summit (Memorandum)*, Council on East Asian Community, <[www.ceac.jp/e/policy-summary/019-2.html](http://www.ceac.jp/e/policy-summary/019-2.html)> (September 1 2008).

<sup>29</sup> WWF, "Stronger rules needed for East Asian clean energy transition," January 16 2007 <[www.panda.org/about\\_wwf/where\\_we\\_work/asia\\_pacific/where/singapore/index.cfm?uNewsID=92020](http://www.panda.org/about_wwf/where_we_work/asia_pacific/where/singapore/index.cfm?uNewsID=92020)> (September 1 2008).

<sup>30</sup> Japan Ministry of Economy, Trade and Industry, *A Summary of the East Asia Summit's Energy Efficiency and Conservation Conference*, June 19 2007, <[www.meti.go.jp/press/20070619004/03\\_summary\\_e.pdf](http://www.meti.go.jp/press/20070619004/03_summary_e.pdf)> (September 1 2008).

The August 2007 meetings of the East Asian Summit and ASEAN+3 in Manila confirmed the organizations' intent to implement the Cebu Declaration, mentioning that an Energy Cooperation Task Force (ECTF), established in March 2007, had held four meetings and identified priority areas in energy efficiency and conservation, biofuels for the transport sector, and energy market integration.

During the ASEAN Regional Forum, which is included in the sequence of ASEAN-related meetings, Russian Foreign Minister Sergey Lavrov offered Sakhalin-1 and Sakhalin-2 projects, and the East Siberia-Pacific Ocean (ESPO) export pipeline as projects that could contribute to regional energy security. This Russian interest in gaining membership in an East Asian energy regime would transform the regime into a producer-consumer dialogue.

There was nothing unique about the Cebu Declaration that would make it preferable to the Five-Country Energy Ministers' Meeting, and in fact, the two initiatives are compatible. Both initiatives present a particular challenge to the East Asian region as it tries to determine how to institutionalize the ideas and goals of numerous declarations and initiatives into an organizational form.

### **The Singapore Declaration on Climate Change, Energy & Environment**

The Third East Asia Summit met in Singapore, November 21, 2007, with climate change, energy and environment prioritized on its agenda. The meeting concluded with 16 member nations signing the *Singapore Declaration on Climate Change, Energy and Environment*.<sup>31</sup> The Declaration acknowledges climate change as an international public good in East Asia and committed the member countries to stabilizing atmospheric greenhouse gas concentrations. It committed the region to supporting the December 2007 U.N. Climate Change Conference in Bali.

The Singapore Declaration seemed stronger than the Cebu Declaration had been, tasking the relevant ministers to follow-up on the Summit and the inaugural EAS Energy Ministers' Meeting held in Singapore, August 23, 2007. The EAS Energy Ministers' meeting emphasized the urgent need to address climate change with the EAS Energy Cooperation Task Force (ECTF) as the primary venue for cooperation. The ECTF had identified three energy cooperation work

---

<sup>31</sup> *Singapore Declaration on Climate Change, Energy and Environment, November 21 2007* <[www.aseansec.org/21116.htm](http://www.aseansec.org/21116.htm)> (September 1 2008).

streams: energy efficiency and conservation, energy market integration, and bio-fuels.<sup>32</sup>

The Singapore Declaration also seemed stronger because it was consciously linked to other regional efforts such as the APEC Leaders' Declaration on Climate Change, Energy Security and Clean Development, issued in Sydney, September 8, 2007; the ASEAN Declaration on Environmental Sustainability; the United Nations Framework Convention on Climate Change (UNFCCC), and the Kyoto Protocol.

The Singapore Declaration called for carrying out individual and collective action programs, recognizing differing capacities of member countries to take on "common but differentiated responsibilities." Objectives of the declaration included: building capacity in the EAS's developing countries, reducing energy intensity, and formulating voluntary energy efficiency goals by 2009. The Declaration suggested commissioning national and joint studies utilizing regional research institutions such as the ASEAN Centre for Energy and agreed to the establishment of the Economic Research Institute for ASEAN and East Asia (ERIA, supported by the Asian Development Bank and still under construction).

Premier Wen Jiabao was reservedly supportive of the goals of the EAS Singapore Declaration. However, Chinese newspapers referred to the EAS as a forum for dialogue, placed emphasis on China-ASEAN relations, and reported on the 11<sup>th</sup> ASEAN+3 meeting held November 20, 2007. Wen Jiabao extolled the accomplishments of ASEAN+3

2007 marks the 10th anniversary of the ASEAN plus Three (China, Japan and South Korea) mechanism. Over the past decade, more than 50 dialogue mechanisms and about 100 cooperation projects within the 10+3 framework have been launched, which enhanced the cohesive force among countries in East Asia and promoted prosperity in this region put forward a five-point proposal on strengthening and deepening cooperation among ASEAN+3.<sup>33</sup>

Wen emphasized that East Asian countries had agreed that ASEAN Plus Three was the major channel for cooperation and suggested a 5-point proposal:

- to respect each other and treat each other as equals to ensure that all countries live in harmony;

<sup>32</sup> Joint Ministerial Statement First EAS Energy Ministers Meeting, Singapore, August 23 2007, <[www.enecho.meti.go.jp/policy/international-affairs/070827ks/070823easeng.pdf](http://www.enecho.meti.go.jp/policy/international-affairs/070827ks/070823easeng.pdf)> (September 1 2008).

<sup>33</sup> "Premier Wen attends ASEAN plus three summit, makes 5-point proposal," *People's Daily*, November 20 2007, <<http://english.peopledaily.com.cn/90001/90776/90883/6306212.html>> (September 1 2008).



- to uphold common interests and promote common development and prosperity;
- to take a coordinated approach and achieve comprehensive and balanced economic and social development in East Asia;
- to respect the realities in East Asia and to explore and develop models and ways of cooperation that are compatible with the diversity of the region;
- to be open and inclusive so as to achieve the long-term goal of an East Asian community by drawing on each country's strength.<sup>34</sup>

The ASEAN report on the *Chairman's Statement of the 11th ASEAN Plus Three Summit* in Singapore reiterated that “the APT is an integral part of the evolving regional architecture, mutually reinforcing and complementary to the East Asia Summit.” The meeting adopted the APT Cooperation Work Plan (2007-2017) which includes a section on security cooperation, counter-terrorism, maritime cooperation, and other non-traditional security issues. One section was devoted to Energy, Environment, Climate Change and Sustainable Development Cooperation and seemed to replicate the Singapore Declaration. The annual ASEAN+3 meetings must submit concise progress reports on the implementation of the Work Plan.<sup>35</sup>

The energy-maritime nexus emerged in the 11<sup>th</sup> ASEAN-China summit with the signing of the ASEAN-China Maritime Transport Agreement and Chinese proposals for an ASEAN-China Defence Scholars Exchange Programme and training courses on maritime accident investigation, as well as on Port State Control.<sup>36</sup>

The EAS Singapore Declaration seemed to displace the Cebu Declaration, which despite all the media attention, was not a strong candidate for further institutionalization.

Following the November 2007 East Asia Summit meeting, Beijing announced that China would hold a meeting for Asian nations coping with climate change.<sup>37</sup> It was an effort to take a leadership position on an issue that is not China's strength. Recent Chinese commentary indicates a growing sophistication regarding the problems and prospects of creating a Northeast Asian framework, including the need to work with Japan, and the dilemma of whether to create an institutional framework first, a top-down approach, or to start with project implementation, a bottom-up approach. These Chinese views indicate a growing belief that East Asian

<sup>34</sup> *Ibid.*

<sup>35</sup> *Chairman's Statement of the 11th ASEAN Plus Three Summit, Singapore, 20 November 2007*, <[www.aseansec.org/21096.htm](http://www.aseansec.org/21096.htm)> (September 1 2008).

<sup>36</sup> *Chairman's Statement of the 11th ASEAN-China Summit, Singapore, 20 November 2007*, <[www.aseansec.org/21105.htm](http://www.aseansec.org/21105.htm)> (September 1 2008).

<sup>37</sup> “China to hold Asia climate change meeting in 2008,” *Reuters*, November 21 2007.

multilateral energy cooperation may provide greater security than bilateral cooperation for China as it facilitates diversification of energy supply.<sup>38</sup>

### South Korean Energy Initiative in 2007

Although expectations for East Asian energy regime formation focus on China and Japan, South Korea has made the most progress in initiating and persistently pursuing an institutional framework for NE Asian energy cooperation, the *Intergovernmental Collaborative Mechanism on Energy Cooperation in Northeast Asia*. Begun in 2001 with a symposium, Korea called on international organizations, UNESCAP and the IEA, to provide support for institutionalization. It would also draw on Track II meetings. Korea would find an ally in another small country, Mongolia. Eventually it would be called Energy Cooperation Northeast Asia (ECNEA).

By the November 2005 Ulaanbaator meeting a Working Group on Energy Planning and Cooperation was created to identify possible future cooperation activities. China lacked enthusiasm and proposed very limited functions for the organization and suggested countries should simply strengthen bilateral energy cooperation. Korean participants proposed a much more extensive agenda for regional cooperation.<sup>39</sup>

With competition among major powers for resources and government reluctance to commit to a cooperative multilateral approach, East Asia relied on Track II dialogues.<sup>40</sup> In Northeast Asia, the Track II level has filled the void through the Network of East Asian Think tanks (NEAT), a Track II network for supporting ASEAN+3 led by Beijing. NEAT has a working group, the WG on Energy Security Cooperation, that met August 2007 in Singapore. This working group's goals are to promote energy efficiency, conservation and energy security, including the maritime dimension, protection of the SLOCs that bring oil from the Middle East.

---

<sup>38</sup> Zhang Jianping (NDRC), "Chinese Perceptions of Energy Security and Strategy for the Future of Northeast Asia," *ERINA Report 77* (September, 2007).

<sup>39</sup> Ji-Chul Ryu (Korea Energy Economics Institute), *Opportunity for energy cooperation in Northeast Asia*, November 15-6 2005, Available via: <[www.unescap.org/esd/energy/dialogue/cooperation/soci.asp](http://www.unescap.org/esd/energy/dialogue/cooperation/soci.asp)> (September 1 2008); Gaye Christoffersen, "Reflections on Northeast Asian Energy Cooperation: Reasons for Optimism," presentation at seminar on the Russian Far East, Pacific Basin Institute, Pomona College, November 14 2006.

<sup>40</sup> Kyung-Sool Kim, discussion paper for panel on "Geopolitics and Energy Cooperation in Northeast Asia: Perspectives from the UA and Northeast Asia," 2006 Working Group on Energy Cooperation in Northeast Asia organized by the Northeast Asia Economic Forum (NEAEF), February 2006, Honolulu.

Working group meetings in May 2005 and June 2006 produced recommendations for the August 2006 4<sup>th</sup> NEAT annual conference, *Memorandum no. 3 Policy Recommendations on Strengthening the Pillars of East Asian Community Building*. One section of the Memorandum addressed Energy Security Cooperation through energy conservation, efficiency, and participation in a regional maritime project, ReCAAP (Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships), a project initiated by Japan and based in Singapore, meant to guard the SLOCs especially through the Malacca Straits.<sup>41</sup> The January 2007 ASEAN+3 Cebu meeting referred to the *Memorandum no. 3 Policy Recommendations* as being part of ASEAN+3's inventory of ideas.<sup>42</sup>

ASEAN and APEC have taken a Track I top-down approach to regional energy cooperation because the regional political framework had existed for decades before a regional energy project was developed. However, a bottom-up approach is needed when there is no existing regional framework that might take on an energy function.<sup>43</sup> In the absence of an established Northeast Asian Track I framework, these bottom-up approaches build a foundation for a future Northeast Asian multilateral energy regime even while the major powers—China, Russia and Japan—follow more traditional geopolitical strategies.

Small countries have allies in the Asian Development Bank (ADB), the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), and the IEA. ADB has a strategic priority to mainstream its support for Regional Cooperation and Integration (RCI) programs with a special focus on creating regional public goods. ADB adopted the RCI strategy in July 2006, committing itself to initiating collective regional actions.<sup>44</sup>

The Intergovernmental Collaborative Mechanism on Energy Cooperation in North-East Asia's Working Group Meeting on Energy Planning and Policy held its fourth meeting, September 2007 in Irkutsk, Russia. The Work Plan for 2008 included developing a long-term cooperation strategy that would identify concrete projects that could demonstrate the effectiveness of the regional approach to energy security and capacity building. The strategy would focus on coordination with other energy initiatives. The fifth meeting was held in Chiangmai, Thailand, May 2008.

---

<sup>41</sup> Council on East Asian Community, <[www.ceac.jp/e/pdf/070209.pdf](http://www.ceac.jp/e/pdf/070209.pdf)> (September 1 2008).

<sup>42</sup> *Chairman's Statement of the Tenth ASEAN Plus Three Summit* Cebu, Philippines, 14 January 2007, <[www.aseansec.org/19315.htm](http://www.aseansec.org/19315.htm)> (September 1 2008).

<sup>43</sup> Ji-Chul Ryu (Korea Energy Economics Institute), *Opportunity for energy cooperation in Northeast Asia*.

<sup>44</sup> Asian Development Bank. *Regional Cooperation and Integration*. <[www.adb.org/documents/policies/RCI-strategy/default.asp](http://www.adb.org/documents/policies/RCI-strategy/default.asp)> (September 1 2008).

A December 2007 UNESCAP critique of Energy Cooperation Northeast Asia (ECNEA) focused on the effectiveness of ECNEA's structure and the sustainability of the process. The UNESCAP assessment identified numerous challenges: low visibility, no benchmarks or long-term strategies, short-term plans were ad-hoc, China and Japan have not formally joined, and the ECNEA initiative is not coordinated with other initiatives in Northeast Asia.<sup>45</sup>

Remediating these deficits will take time. A November 2007 conference co-organized by KEEI with American organizations was a start at coordination, addressing the need for a framework for energy cooperation in Northeast Asia, tentatively called a "Northeast Asian Energy Cooperation Council" (NEAECC) that included the U.S. and Russia in addition to the three Northeast Asian nations—China, Japan and South Korea.<sup>46</sup>

### United States Energy Cooperation in 2007

The U.S. is not a member of ASEAN+3 or the East Asian Summit, and thus could not challenge China or Japan directly for leadership of an East Asian energy regime. The U.S. governmental preference is to develop *bilateral* energy cooperation initiatives, and has also supported Asia-Pacific initiatives that it considers preferable to East Asian regimes. These preferences appear to diverge from Japan's preferences.

Just prior to the 2<sup>nd</sup> EAS, the U.S. and Japan met on January 9, 2007 to review their energy cooperation and sort out which energy regimes were primary. The two allies confirmed that they cooperate through the IEA, the Asia-Pacific Partnership of the Asia-Pacific Economic Cooperation (APEC), and the International Energy Forum. They also agreed to engage emerging economies, especially China and India, in these multilateral fora (APEC, IEA and APP) to ensure their mutual energy security and address global climate change.<sup>47</sup>

In recent years, there has been a U.S. focus on Chinese energy, culminating with a bill put before the U.S. House of Representatives in August 2007, called the U.S.-China Energy Cooperation Act, part of a larger package, the U.S.-China Competitiveness Agenda of 2007. The

---

<sup>45</sup> Pranesh Chandra Saha, Chief, Energy Resources Section, ESDD, UNESCAP, *Energy Cooperation in North-East Asia (ECNEA): Overview and Strategies for Energy Cooperation*. December 2007, <<http://unescap.org/esd/energy/dialogue/cooperation/documents/WG-EPP3/MrSaha-EnergyCooperation-NEA.ppt>> (September 1 2008).

<sup>46</sup> "Energy and Security in Northeast Asia: Towards a Northeast Asian Energy Cooperation Council," November 16-17, 2007, Seoul.

<sup>47</sup> Japan Ministry of Economy, Trade and Industry, *United States-Japan Cooperation on Energy Security*, January 10 2007, <[www.enecho.meti.go.jp/english/index.htm](http://www.enecho.meti.go.jp/english/index.htm)> (September 1 2008).

Energy Act will fund joint research on energy efficiency technologies and renewable energy sources, and joint energy education programs.

The U.S.-China Energy Policy Dialogue, established in May 2004 between the U.S. Department of Energy and the Chinese National Development and Reform Commission (NDRC), facilitates policy exchanges on energy security and energy technology choices. This Dialogue was preceded by the U.S.-China Oil and Gas Industry Forum, created in 1998 by the U.S. Departments of Energy and Commerce and the NDRC. Oil industry representatives are pro-active in setting the agenda and in making presentations.

Beyond bilateral energy cooperation, the U.S. government emphasizes Asia-Pacific energy projects, e.g., the U.S. initiative on Asia-Pacific Partnership on Clean Development and Climate (APP), launched in January 2006, as a voluntary, non-legally binding framework for international cooperation. Officially, APP is meant to complement rather than displace the Kyoto Protocol. APP consists of eight public-private task forces chaired by member countries. Partner countries include Japan, Australia, India, China and South Korea. In October 2006 APP endorsed eight action plans which the task forces are currently implementing.

The U.S. government considers the APP to be very effective because it draws industry into a partnership with governments, generating 180 projects in the pipeline that will be invested in by the private sector. APP will facilitate human and institutional capacity-building. APP may facilitate collaboration among the numerous existing bilateral & regional initiatives in the Asia-Pacific.

To ensure progress, APP has a Policy and Implementation Committee, consisting of representatives from all member countries, and an Administrative Support Group. The U.S. is the chair of the Policy and Implementation Committee and the Administrative Support Group, and in fact, the Administrative Support Group is the U.S. government.<sup>48</sup>

The Asia Clean Energy Forum appeared to be an effort at integrating the proliferation of energy initiatives in East Asia and the Asia-Pacific. Held in June 2007, it was co-sponsored by USAID and ADB with U.S. State Department and APEC support. The Forum presented the ASEAN energy initiative, the APP initiative, and ADB's initiative for energy efficiency. ADB announced its Clean Energy Financing Partnership Facility. APEC presented its training program for renewable energy. China, South Korea, India, the Philippines, California, and Hawaii presented on their energy efficiency programs. The Forum presented numerous approaches for clean energy finance. One panel focused on clean energy knowledge transfer supported by ADB, APEC, USAID and

---

<sup>48</sup> *Charter for the Asia-Pacific Partnership on Clean Development and Climate*, January 12, 2006, <[www.state.gov/g/oes/rls/or/2006/59162.htm](http://www.state.gov/g/oes/rls/or/2006/59162.htm)> (September 1 2008).

the Asia Pacific Network on Climate Change, an online clearing house on climate change information, policy dialogue and capacity building, supported by the Japanese Ministry of Environment.<sup>49</sup>

USAID introduced its new program, ECO-Asia Clean Development and Climate Change Program. ECO-Asia was launched in October 2006 for climate change mitigation in Asia, building Asian government capacity, leverage private sector participation in clean energy technology, and promote regional cooperation.<sup>50</sup> The USAID presentation stressed “from ideas to action.” The Forum may begin coordinating some of the 90+ initiatives in the region into a coherent regional regime.

By the end of 2007, U.S. energy diplomacy in Northeast Asia included cooperation through the Five-Country Energy Ministerial, recognition that Beijing’s initiative was worthwhile and should be included in the proposed framework for a Northeast Asian multilateral energy regime.<sup>51</sup>

### **White Paper on *China's Energy Conditions and Policies***

The White Paper on *China's Energy Conditions and Policies* was issued December 2007. Although it was China’s first White Paper on energy, there had been a series of policies, discussions and debates since at least 2003 that were prelude to the White Paper, for the purpose of strengthening Chinese domestic capacity to manage energy and to participate in an East Asian Energy Community.

The White Paper claimed that China would maintain sustainable energy development and would make positive contributions to world oil security rather than pose a threat to it. The Paper acknowledged there were still challenges: the energy market system and energy pricing still fail to fully reflect the scarcity of resources and the environmental cost. China’s emergency response capability could not yet manage energy supply breakdowns.

To give primacy to energy conservation, the NRDC would promote industrial restructuring away from energy-intensive industries, create a system for compulsory government procurement of energy conserving products, launch ten key energy conserving projects, strengthen

---

<sup>49</sup> *Asia Clean Energy Forum: Policy and Finance Solutions for Energy Security and Climate Change*, ADB Headquarters, Manil, Philippines: 26-28 June 2007. <[www.adb.org/Documents/Events/2007/Asia-Clean-Energy-Forum/default.asp](http://www.adb.org/Documents/Events/2007/Asia-Clean-Energy-Forum/default.asp)> (September 1 2008).

<sup>50</sup> United States Agency for International Development (USAID), *Clean Development and Climate Program (CDCP)*, <<http://usaid.eco-asia.org/programs/cdcp/>>.

<sup>51</sup> Carol Kessler, “U.S. Energy Security and Energy Diplomacy,” presented at “Energy and Security in Northeast Asia: Towards a Northeast Asian Energy Cooperation Council,” November 16-17 2007, Seoul, <[www.neasiaenergy.net/download/Seminar071116/s1-4.pdf](http://www.neasiaenergy.net/download/Seminar071116/s1-4.pdf)> (September 1 2008).

administrative and legal capacity to promote energy conservation, and expand public awareness of conservation.

The White Paper included a section which emphasized reform through centralizing control of energy to improve the energy management system and decision-making, unified planning and better coordination among government agencies with local governments.<sup>52</sup> On August 1, 2008, the new organization, the National Energy Administration (NEA) began operation with four departments that managed the separate energy sectors and five departments that managed: energy policy, development planning, energy conservation, and international cooperation.

Section VIII of the White Paper, *Strengthening International Cooperation in the Field of Energy*, stated that the majority of countries, including China, “could not enjoy energy security without international cooperation.” It was necessary for the international community to develop a “new concept of energy security” based on mutual benefit, diversified development and coordinated guarantee. To achieve this, China promotes creation of a producer-consumer dialogue, a global system for dissemination of energy conservation technology, and maintaining a stable political environment, especially in the Middle East and along the SLOCs. The White Paper indicated Beijing would improve the legal environment for foreign investment and create greater transparency as was required by the WTO.

The White Paper stressed that China was an “active participant in international energy cooperation,” and a member of the Energy Working Group of APEC, ASEAN +3 energy cooperation, the International Energy Forum, the World Energy Conference and the Asia-Pacific Partnership for Clean Development and Climate.

Section VIII of the White Paper did not mention the East Asian Summit's energy declarations although the two EAS declarations of 2007 were the most prominent East Asian efforts of the year. Beijing remains a supporter of ASEAN+3 while Tokyo supports the East Asian Summit. Although the relationship between the two East Asian regional organizations is still not clear, EAS has had greater publicity in regional energy cooperation.

### **Sino-Japanese Energy Cooperation 2007-08**

The greatest impediment to East Asian regional regime formation is the extent of competition between China and Japan as both countries seek regional leadership. Any initiative to create a regional energy framework must first achieve a bilateral Sino-Japanese accord on project goals.

---

<sup>52</sup> People's Republic of China State Council Information Office, *White Paper on China's Energy Conditions and Policies*, p. 38.

Chinese President Hu Jintao and Japanese Prime Minister Shinzo Abe had already met on the sidelines of APEC in Hanoi, November 2006, and agreed to bilateral cooperation in environmental protection and energy efficiency.

International cooperation requires greater state capacity and policy coherence to enter these accords. In March 2007, Japan achieved greater coherence when the Japanese Cabinet approved the Basic Energy Plan and the Guidelines for Securing National Resources, directives to be followed by the entire government. The purpose of the guidelines was to assure that resource acquisition through bilateral and multilateral diplomacy would be compatible with Tokyo's diplomacy and ODA. Japan's May 2006 New National Energy Strategy called for such guidelines.

In April 2007, Beijing and Tokyo held their first ministerial-level energy talks and agreed to a continuous dialogue process, meeting annually no matter how difficult political relations might be at the time of the meetings. Japan's Minister of Economy, Trade and Industry (METI), Akira Amari, and China's Chairman of the NDRC, Ma Kai, chaired the first joint energy cooperation seminar. It was a large seminar with 650 executives from private and state-owned companies. Shinzo Abe and Wen Jiabao attended. The two countries signed accords to cooperate on energy efficiency and environmental protection. They agreed to build a new framework for reducing green house gas emissions to replace the Kyoto Protocol after it expires in 2012.

The Joint Statement signed by METI and NDRC, April 11, 2007, included a section that committed the two countries to cooperating in regional regimes including the Five-Country Energy Ministers Meeting, the East Asian Summit, ASEAN+3, APEC, and the Asia-Pacific Partnership on Clean Development and Climate (APP). The agreement also committed Japan's METI to supporting China's NDRC's cooperation with the IEA in such areas as oil stockpiling (SPRs).<sup>53</sup>

Sino-Japanese cooperation in energy efficiency, a relatively easy issue, provides a basis for approaching a more difficult issue such as the East China Sea dispute. The two sides agreed to an eighth round of bilateral talks on the East China Sea dispute the following month, and they would have a ninth round in June 2007. CNPC's President, Jiang Jiemin, and CNOOC's Chairman, Fu Chengyu, both called for Sino-Japanese joint upstream petroleum development in third countries and in the South China Sea. The Japanese side suggested multilateral

---

<sup>53</sup> *Joint Statement by the Japanese Ministry of Economy, Trade and Industry and the People's Republic of China's National Development and Reform Commission on Enhancement of Cooperation between Japan and the People's Republic of China in the Energy Field*, April 11, 2007 (Provisional Version), available at: <[www.enecho.meti.go.jp/policy/international-affairs/data/Joint%20Statement.pdf](http://www.enecho.meti.go.jp/policy/international-affairs/data/Joint%20Statement.pdf)> (December 1 2008).



cooperation be put on the agenda at the next meeting. The Chinese side indicated interest in investment and technology transfer from Japan for energy conservation. Japanese media reported frankly that "Japan hopes to use its environmental cooperation with China to secure a leadership role in the next round of multilateral negotiations involving climate change."<sup>54</sup>

In May 2007, Tokyo hosted the First Sino-Japanese Forum on Energy Conservation and Environmental Protection, and in September 2007, Beijing hosted the Second Forum, sponsored by China's NDRC and Japan's METI. These forums promote exchanges of energy saving technologies and provide updates on progress in achieving goals. China has 10 major energy-conservation projects and has implemented an energy conservation campaign in 1,000 major enterprises.

At the United Nations (UN) Climate Change Conference held in Bali in December 2007, there were 190 nations represented in a contentious, divisive and bitter two-week meeting. Just days before the Bali meeting, Beijing hosted the first high-level Sino-Japanese economic dialogue in which both countries developed a consensus on building a new framework to fight climate change.<sup>55</sup> But each country would have very different roles at Bali.

Japan had anticipated it would play a key leadership role at Bali in an area that was its strength. China, with India and other developing nations, faced a tussle over how far developing countries should curb surging greenhouse gas emissions, blaming the rich industrialized nations for creating the problem in the first place. Nevertheless, China considered itself much more positive and constructive at Bali than it had been the previous year on the issue of climate change.<sup>56</sup> Drawing on the principles embodied in the *China Energy White Paper*, the Chinese delegation demonstrated a much more pro-active approach to climate change, erecting a booth at the summit that showcased recent Chinese policies. China led 130 developing nations in demanding from the industrialized nations that they transfer technology to the developing world to contain climate change.

Japan and Canada were criticized by environmentalists, blamed for trying to shift the burden to China and India.<sup>57</sup> The conference did not

---

<sup>54</sup> *Nikkei News*, April 12 2007.

<sup>55</sup> Le Tian and Li Xiaokun "China, Japan to Fight Climate Change Jointly," *China Daily*, December 4 2007, <[www.chinadaily.com.cn/china/2007-12/04/content\\_6296035.htm](http://www.chinadaily.com.cn/china/2007-12/04/content_6296035.htm)> (September 1 2008).

<sup>56</sup> "China welcomes "Bali roadmap" on climate change," *China View*, December 18 2007, <[http://news.xinhuanet.com/english/2007-12/18/content\\_7275993.htm](http://news.xinhuanet.com/english/2007-12/18/content_7275993.htm)> (September 1 2008).

<sup>57</sup> Gerard Wynn, "Squabbling slows Bali climate change conference: China, India's role heavily debated," *National Post*, December 4 2007, <[www.nationalpost.com/story.html?id=144210](http://www.nationalpost.com/story.html?id=144210)> (September 1 2008).

create a binding agreement but instead adopted the Bali Road Map, a two-year process to reaching a binding agreement on Climate Change by 2009, and the Bali Action Plan, committing individual nations to voluntary measures.

The U.S., rather than taking a leadership role at the Bali Summit, was seen as obstructing and sabotaging it, doggedly refusing to agree to the terms of the treaty until the last night. American negotiators appeared to undermine progress, resulting in booing and tears by other nations' negotiators. The US delegation was told that if it was not willing to lead on climate change then it should get out of the way. In the end, there were compromises with some nations optimistic and many nations disappointed. The failure of the US to take a strong leadership position at the Bali Summit created space for China and Japan to exercise leadership.

Japan would exercise leadership as chair of the G-8 meeting in July 2008, taking the opportunity to make climate change the lead issue. However, to do so successfully required numerous preparatory meetings to build consensus with China and the U.S. during the first half of 2008.

At the Fourth U.S.-Japan-China Trilateral meeting in Beijing, January 2008, a Japanese energy analyst shared his analysis of the Bali Road Map and identified a way to a Post-Kyoto consensus. He suggested Japan at the G8 2008 meeting would take on the responsibility to establish a framework that all major emitters could participate in, an equitable arrangement for both developed and developing countries. The G8 2008 Summit would be an intermediary step to create consensus among the G8 countries.<sup>58</sup>

The April 2008 UN climate change negotiations in Bangkok witnessed a postponement of Japan's plan for cutting pollution because of Chinese and other developing nations opposition. The meeting was the first of eight that would negotiate a new Post-Kyoto treaty, with the final meeting in Copenhagen at the end of 2009.<sup>59</sup>

Prior to the July 2008 G8 meeting, a series of meetings were held to build a regional and global consensus on energy and climate change, all of which required China's participation, including the G8+3 energy ministers and the 2<sup>nd</sup> Five-Country Energy Ministers' Meeting.

In May 2008, during Hu Jintao's visit to Tokyo, the two nations issued a joint statement on their common strategic interests. Of the numerous issues they agreed to cooperate on, there was emphasis on putting priority on a bilateral consensus on energy and environmental

---

<sup>58</sup> Kensuke Kanekiyo, *Bali Roadmap to New Framework of Climate Change and the Role of Japan*, Institute of Energy Economics Japan, February 2008, <<http://eneken.ieej.or.jp/en/data/pdf/419.pdf>> (September 1 2008).

<sup>59</sup>Ying Lou and Adam Satariano, "UN Delays Japan's Climate Plan after China Opposition," *Bloomberg*, April 4 2008.

cooperation that would contribute to the Asia-Pacific and global environment. The statement ended by committing the two nations to

Actively participate in the building of an effective post-2012 international framework on climate change based on the Bali Action Plan and the principle of “common but differentiated responsibilities and respective capabilities” under the framework of the United Nations Framework Convention on Climate Change.<sup>60</sup>

The following month, the 2<sup>nd</sup> Five-Country Energy Ministerial was held June 7, 2008, just prior to the G-8 energy ministers' meeting, where Japan, China, South Korea, India, and the U.S. discussed international oil market stability, worry over oil prices, and building of strategic oil reserves (SPRs) to insure emergency preparedness. There appeared to be differences over how to respond to high oil market prices. The U.S. called for Asian countries, especially China and India, to end price subsidies as it was the subsidization by these two countries that was driving soaring oil demand and soaring oil market prices. India and China countered they could reduce domestic subsidies only gradually.

According to a *Xinhua* report, the NDRC vice chairman, Zhang Guobao, called for expanding oil supply by major countries increasing investment in oil exploration, preserving world political stability, and minimizing geopolitical impacts on the global oil market. This was a subtle critique of the American Iraq War for creating instability in the Middle East. He expressed concern about speculation in energy markets. The *Xinhua* report reiterated that it was China that had initiated the Five-Country Energy Ministerial.

The Five-Country meeting's joint statement adopted seven principles that the five nations agreed to: transparency and stability in global energy markets, improving the investment climate, enhancing energy efficiency, diversifying the energy mix, securing energy infrastructure, reducing energy poverty, and addressing climate change.<sup>61</sup>

The statement recognized the need for gradual withdrawal of energy price subsidies and moving towards market-based energy pricing. This would be achieved through voluntary goals and action plans, and a sharing of best practices.

Although it would appear that China, the U.S. and Japan disagreed over the causes of higher oil prices, there was no disagreement in the need to jointly respond to oil market instability and the shared interests

---

<sup>60</sup> The Ministry of Foreign Affairs of Japan, *Joint Statement between the Government of Japan and Government of the People's Republic of China on Comprehensive Promotion of a “Mutually Beneficial Relationship Based on Common Strategic Interests,”* Tokyo, May 7 2008, <[www.mofa.go.jp/region/asia-paci/china/jointo805.html](http://www.mofa.go.jp/region/asia-paci/china/jointo805.html)> (September 1 2008).

<sup>61</sup> Japan Agency for Natural Resources and Energy, *Joint Statement of Energy Ministers of the People's Republic of China, India, Japan, the Republic of Korea and the United States,* Aomori, Japan, 7 June 2008, <[www.enecho.meti.go.jp/english/o8o6o2.htm](http://www.enecho.meti.go.jp/english/o8o6o2.htm)> (September 1 2008).

the five countries have in collaborating. The U.S. Department of Energy Secretary, Samuel W. Bodman, emphasized the importance of the Five-Country meeting.<sup>62</sup>

On June 8, 2008, Japan hosted the 2008 G-8 Energy Ministers Meeting. China, India and South Korea were invited to attend, and so it was called the G-8+3 Energy Ministerial. The joint statement of the G8 energy ministers focused on energy security and climate change, and discussed progress in adhering to the G8's *St. Petersburg Energy Security Principles*, suggesting these principles be extended beyond G8 countries to other nations, especially developing nations such as China and India.<sup>63</sup> The joint statement of the G8+3 was much longer, announcing the establishment of the International Partnership for Energy Efficiency Cooperation (IPEEC). The IPEEC Declaration emphasized the need for global cooperation in energy efficiency on a voluntary basis. The Partnership appears to be a mechanism for IEA-member countries to work with non-IEA countries, extending IEA best practices in energy efficiency to the non-members. China is a non-member, although the U.S. has called for the IEA to strengthen its relationship with China.

The bilateral Fourth US-China Strategic Economic Dialogue met immediately afterwards, June 17-18, 2008, in Washington, D.C. The Dialogue produced a Joint Statement that committed the US-China bilateral dialogue to adhere to "...energy security principles embraced at Aomori, Japan in the *Joint Statement of the Five-Party Energy Ministers* on June 7, 2008 and the *Joint Statement of Energy Ministers by the G8 Plus 3* on June 8, 2008."<sup>64</sup> The meeting also produced the *U.S.-China Ten Year Energy and Environment Cooperation Framework*. The bilateral framework appears to be "nested" within these multilateral agreements previously agreed to, and is simply reiterating them at the bilateral level.

## Conclusion

During 2007, China's Five-Country Energy Ministers' Meeting did not meet, having had only one meeting in December 2006. The new initiative had not yet been sufficiently institutionalized nor nested with other energy dialogues into an embryonic regional energy architecture. The Five-Country Energy Ministerial initiative seemed to be insufficient as a

---

<sup>62</sup> "U.S. Secretary of Energy Participates in Five-Country Energy Ministerial in Japan," June 7 2008, <[www.energy.gov/news/6317.htm](http://www.energy.gov/news/6317.htm)> (September 1 2008).

<sup>63</sup> The July 2006 *St. Petersburg Plan of Action: Global Energy Security* supported a producer-consumer dialogue.

<sup>64</sup> U.S. Treasury Department, "U.S. and China Deepen Their Economic Relationship," June 19, 2008, <[www.america.gov/st/texttransenglish/2008/June/20080619150836xjsnommiso.2596334.html](http://www.america.gov/st/texttransenglish/2008/June/20080619150836xjsnommiso.2596334.html)> (September 1 2008).

stand-alone initiative but had potential to make a contribution when integrated with other regional initiatives and bilateral agreements. The other regional dialogues—Japan's (EAS) Cebu Declaration, Korea's ENEA initiative—had weaknesses as well.

At the end of 2007, the East Asian Summit in November issued the *Singapore Declaration on Climate Change, Energy and the Environment*, representing a stronger initiative than the Cebu Declaration. The July 2008 G8 Summit in Japan further established Japan's global leadership in energy efficiency and climate change.

In between these multilateral meetings, Tokyo met with Beijing, shaping a bilateral consensus that would be needed for the larger multilateral meetings. Because Sino-Japanese rivalries have been a major impediment to East Asian energy regime formation, METI met with NDRC repeatedly before and after the larger meetings—the Bali Summit and the G8 Summit—to slowly shape a common agenda.

The sequencing of energy meetings appears important in building regional and global cooperation, establishing a consensus among consuming countries that reaches across the developed/developing country divide, and facilitates construction of a regional energy architecture.

Each new initiative or declaration must be organizationally “nested” among all the energy initiatives (90+) that have been proposed within East Asia and the Asia-Pacific. It is unclear whether the region can succeed in integrating top-down and bottom-up regional energy initiatives into a coherent regional energy architecture, or to simply continue with the numerous energy initiatives only loosely connected.

China's role in East Asian energy relations faces choices: focus on leading ASEAN+3 and the Five-Country Energy Meeting, or be more supportive of South Korea's efforts to form a Northeast Asian energy regime, or cooperate with the Japan-supported EAS Singapore Declaration, or participate in U.S.-led initiatives such as APP, or dialogue with the G8 in the G8+3 Energy Ministers meeting.

What is noteworthy is the extent of Chinese involvement and compliance with regional energy cooperation frameworks in which China does not have a leadership role. In the past, China has tended to be the reluctant and passive participant in multilateral energy dialogues. Chinese willingness to participate in these regional projects can only be explained by the Chinese realization that its domestic capacity is strengthened and its national interests achieved through participation in regional projects, much more than a “go-it-alone” strategy would achieve. Its international prestige is enhanced by being a responsible stakeholder in various energy dialogues rather than a rogue state with out-of-control domestic oil demand.

This emphasis on energy security and the need for international cooperation and multilateral dialogue to achieve energy security was a topic of the 2008 *White Paper on China's Diplomacy* issued July 2008. The White Paper noted that China is taking on an increasingly leading role in multilateral energy security dialogues.<sup>65</sup>

The White Paper officially identifies China as supporting multilateral energy cooperation, putting on paper what had already been revealed in China's initiative for a Five-Country Energy Ministerial. However, the initiative gained minimal international media coverage, belying the significance of an initiative that could be part of the emerging regional energy architecture. Chinese participation in regional energy projects, Chinese initiatives for regional cooperation, and Chinese efforts to strengthen domestic capacity to manage energy supply and demand, are mutually supportive. This suggests Chinese participation in regional multilateral regimes has contributed to a domestic transformation in the energy sector, a process repeated in numerous functional areas.

---

<sup>65</sup> Ministry of Foreign Affairs of the People's Republic of China, "China's Diplomacy (2008) Officially Launched in Beijing," July 18 2008, <[www.fmprc.gov.cn/eng/zxxx/t458002.htm](http://www.fmprc.gov.cn/eng/zxxx/t458002.htm)> (September 1 2008).

## Submission Guidelines and Process of Selection

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

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

**Regular Articles:** Articles should be in-depth and offer a long-term analysis of the particular problem. References are preferred to support your evidence according to the Chicago system. The articles should aim at 7000 words. Each article should be summarized in an abstract of not more than 150 words and include keywords.

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

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

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

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

Newspapers, News-agencies & Magazines: Toby Harnden, “Drug Trade ‘Reaches to Afghan Cabinet,’” *Daily Telegraph*, February 5 2006.

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

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

**Style:** American spelling throughout; percent rather than per cent or %; Capital letters for the East, West, North and South, when global; western, eastern, northern and southern; Dates: November 6 2005.

**Figures & Tables.** All figures and tables must be discussed or mentioned in the text and numbered in order of mention. Define all data in the column heads. Figures and tables should be of good quality, and contain full references to the original source.

**Affiliation.** On the title pages include full names of authors, academic and/or professional affiliations, and the complete address of the author to whom correspondence and hard-copies should be sent.

NOTE: Submissions which are likely to require undue editorial attention because of neglect of these directions or poor presentation or language will be returned.

---

*The China and Eurasia Forum Quarterly* (ISSN: 1653-4212) – formerly *CEF Quarterly* and *CEF Monthly*. Volume and issue numbers follow the sequence of *CEF Quarterly* and *CEF Monthly*. The first issue of *The China and Eurasia Forum Quarterly* was numbered Volume. 3, No. 3, November 2005.

# THE CHINA AND EURASIA FORUM QUARTERLY

Volume 6, No. 3

August 2008

Shanghai Cooperation Organization and the Aftermath of the Russian  
Invasion of Georgia  
*Niklas Swanström*

Water and Energy Crisis in Central Asia  
*Bo Libert, Erkin Orolbaev, and Yuri Steklov*

Combating Money Laundering in Eurasia: Lessons from Kyrgyzstan  
and Georgia  
*Christofer Berglund, Michael Jonsson, Christian Nils Larsen, and Elias Götz*

Pakistan's Nuclear Defense Ambitions and U.S. Relations, the Global  
War on Terror in FATA: Promoting Regional Stability?  
*David A. Anderson and Heather Maki*

Changing Relationship of NGOs with Government: Post-war  
Reconstruction in Afghanistan  
*Šárka Waisová*

The Formation of Modern Uyghur Historiography and Competing  
Perspectives toward Uyghur History  
*Nabijan Tursun*

Two Decades of HIV/AIDS in Tajikistan: Reversing the Tide or the  
Coming of Age Paradigm?  
*Alisher Latypov*

Should an Unholy Cabal of German Greens and Industrialists Finance  
a Resurgent Russia? Natural Gas, Central Asia and Europe after the  
Georgian War  
*Michael Mihalka*

East Asian Energy Cooperation: China's Expanding Role  
*Gaye Christoffersen*

ISSN: 1653-4212