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**THE BLACK SEA REGION AND CASPIAN SEA BASIN – THE EUROPIAN
RIM OF ASIA: REGIONAL AND GLOBAL CHALLENGES**

An Arc of Crisis? - The Need for Crisis Management and Peace building

Introduction

First of all, I'd like to thank the Club of Rome for inviting me to attend this conference. I greatly appreciate this chance to address such a distinguished audience and I am very happy to have the opportunity to share with you some of my approaches toward the Black and Caspian Seas basins' geopolitics and geo-economics.

It might perhaps look a little bit odd that Uzbekistan, though it has neither direct access to the Caspian or Black Sea nor possesses large reserves of oil, is presented at this conference. This, to my mind, reflects the simple reality that Uzbekistan is an integral part of Caspian equation. Furthermore, it reflects the reality that Central Asia and South Caucasus have emerged as an indivisible geopolitical and geo-economic formation, with a population of 72 million and a growing significance in world affairs. When a few years ago, some U.S. scholars began to amalgamate these regions, some found it strange, odd. But recent tendencies have shown that they, having similar legacies, common threats, mutual hopes, and shared challenges indeed can and must develop further cooperation on both multilateral and bilateral bases. Only together can these countries overcome obstacles on the road to prosperity and only together can they benefit from their untapped assets.

Indeed, it is now time for the reshaping of the geopolitical map of the region. In recent years new realities have emerged and a completely new configuration of international ties has appeared. Prof. Lewis of Princeton University once noted that today Bukhara and Samarkand again, as many centuries before, are parts of the Middle East as Ismir and Jerusalem. Perhaps, it is a little bit of a premature statement. However, I believe that the prominent scholar correctly described unfolding general tendency that is reshaping the geopolitical map of the contemporary world.

My today's task, as I see it, is rather modest: to share with you the perceptions, concerns and hopes in the region in regard with recent geopolitical and geo-economic of development and from the stand of the nation which is still in a process of opening itself to the world and the world to itself. At the same time, this country goes through the challenging transitional period, simultaneously going three major transformational processes - building own statehood, moving from extreme version of totalitarian state to democracy and changing command economy to market guided one. And at last but not at least, it is facing serious transnational threats - dreadful combination of international terrorism, Islamic extremism, and drug trafficking.

Challenge number one - Globalization

I would like to start my presentation with challenges posed to the region by *Globalization*. In Central Asia, as well as everywhere in the world, there is wide range of attitudes toward this phenomenon. While some wholeheartedly welcome it, others fiercely oppose it, third - simply scared by it.

Globalization, from the one hand and for a part of the region, is associated with hopes for better life, more choices and chances. Having no idea about existence of very term "globalization", people just eager to have freedom of move and trade, of getting better education, etc. From another hand, for the others it is something bearing threat to their traditions and culture, and which might undermine very fundamentals of their life and values. For them globalization is directly linked to such a perils like global warming, problems of sustainable development and deterioration of environment.

As any comprehensive phenomenon, to my mind, globalization has its specific aspects.

1. Globalization of cultures and ideas. I am an economist. And one first of all sees the economic and informational evidences of globalization. However I think we should start from very this apparently not economic aspect of globalization.

Globalization of cultures and ideas is a complex process, which has a long history and is closely related to tradition, religion, culture, and ideology. After the collapse of the Soviet Union, market economy, democracy, pluralism, and open society are more and more becoming predominant concept for almost all societies regardless of their civilization origin.

Anti-globalist movement is not only about those who in Western countries destroy "McDonald's" or try to undermine the summits of world leaders. The fierce struggle is unfolding in the vast area of Eurasia as well. And ultimately it is also about globalization.

Last century has perfectly showed that Central Asia and adjacent regions of Eurasia had only four possible directions to go: nationalism, socialism, Islamism and democracy. Nations could choose one predominant direction with some elements of another. At least I can't remember any other chosen option for them.

Today it is more and more clear that socialism as an ideology and as system of governance mainly has been defeated and discredited itself.

As for nationalism, after newly independent Eurasian states emergence, it has mainly won. That is why it also can not any more provide powerful mobilizing appeal to the nations future.

Remaining two for this part of Eurasia are Islamism (or religious fundamentalism) and democracy. Religious fundamentalism is nothing but a conception of isolationism or antiglobalism at its nature. In Uzbekistan, we have seen this from leaflets distributed by Hezbi-ut-Tahrir Islamic group. Taliban movement in Afghanistan presented the extreme version of antiglobalism in the region.

But I dare to state that prevailing tendency in Eurasia is institutionalization of the secular democracy and market economy concept. For the first time in the history the absolute majority of people living on the Earth are gradually elaborating common understanding of the basic principles of life. In regard with Central Asia the point is that this region located in very heart of Asia has become an integral part of the Helsinki process, countries over there are active participants of NATO's PFP program, and societies are eager to build national statehood - idea born in Europe. That is the *cultural and ideological basis of the globalization*.

2. Geopolitical globalization. It is marked by the end of the bipolar world and the collapse of the traditional axis - East and West, North and South. The new world is becoming more sophisticated, complex, vulnerable to transnational threats and at the same time increasingly interdependent. Stable un-peace of the times of bipolar world has been replaced by very unstable peace of post-cold war era.

According to some experts the new global transnational phenomenon which never existed before emerged in the world scene. The, so called, New North has emerged. It is extraterritorial and does not belong to any nation. It dominates in shaping the global economy, in developing the modern technology and actually controls the allocation of financial resources.

At the same time mass production is gradually shifting from the North-Atlantic to the Asia-Pacific region where the second largest industrial center of the planet - *New East* is being formed.

Simultaneously another very uneasy element is under formation - Deep South. The virus of social instability and main world threats infects it. However it possesses the crucial ingredient for sustainable growth of world economy - energy resources.

Indeed, from time immemorial, the countries located in Central Asia, with Uzbekistan being at the epicenter, comprised an extremely important geostrategic area. It was there that the vital interests of the four largest regional formations of Eurasia - the Middle East with the Gulf and Caucasus, the south Asian subcontinent with India and Afghanistan, the *Rus* transformed during the 17th century to Russia, and China - were interlaced. Between each and every one of them along with Central Asia, there existed highly developed systems of mutual strategic interests in political, economic, cultural, and military spheres. Mutual correlation and interdependency were so matured that the internal development of Central Asia and the tendencies of foreign policy in the Central Asian states often had a fundamental impact on the situations among the mentioned regions, leading to shifts in the balance of power in the Old World.

Today, the countries of Central Asia build their independent policy not only with the countries of those regions, but with other regions of the world as well. The tectonic changes in the geo-political context of their existence is unfolding. Very soon, railroads connecting Beijing with Paris will pass through Central Asia. Gas and oil pipelines will bring the region's resources to the world markets and vice versa. The nations of Central Asia today are restoring their former cultural, political and linguistic ties that were interrupted by Russian conquest and later on by the Iron Curtain.

To what extent are the Central Asian states ready to embrace new realities of the contemporary world's development?

From the point of historic memory and mentality of the people, the Central Asian nations are among the most predisposed for perception of the concept of globalization. Central Asian civilization by all its origin, background and heritage is well prepared to accept the culture of openness and tolerance, trade of goods and exchange of ideas. This is in fact what globalization is all about.

From the ancient times until the Russian conquest, Central Asia was the focal point of interaction between different civilizations, cultures, world religions and economic, trade centers.

It was the heart of the main transport and communication corridor of the Eurasian continent of that time - the Great Silk Road. It facilitated not only exchange of goods and services but also knowledge, ideas, and spiritual insights. As Arnold Toynbee observed, «*the Oksa-Yaksart basin (which is what once defined Central Asia - S.S.) was like a turning point or a center for all the roads of the world to come to. The natural conditions, - he stated, - helped to turn this area into an international crossroads.*»

With the revival in the "heart" of Eurasia of the independent states of Central Asia, the countries of the region had to face absolutely new realities.

Absolutely new geopolitical context

If the first dramatic change of geopolitical context of Eurasia took place ten years ago with collapse of Soviet Union, the beginning of the XXI century for the Central Asia again coincided with unfolding process of formation of completely new *geopolitical situation*. Maybe the significance and historic impact of this change would be not less than dissolution of Soviet system. Finding itself on the front line of the war against terrorism, declared by the international community and confronting such transnational threats as religious extremism and drug trafficking, the region is regaining its strategic significance not only on local, but also on global scale.

There are at least three fundamental implications of recent events for the future development of Central Asia:

Firstly, for the first time in a modern history Central Asia is in a focus of genuine attention of the world community. Today no one has any doubt in the presence of long-term interests of the West in Central Asia. Before, during the '90^s, the interests of the West in this region were declared but never transformed to the direct engagement. Today the all major countries and IFIs are launching their projects aiming specific programs in the region. This programs are not limited to antiterrorist campaign only. The future of Central Asia and the future of the world are on the stake.

What it will bring to Central Asians? It was Alexander the Great who was the last westerner deeply politically and militarily engaged to Central Asia. Never after it happened.

What is important for IFIs is to improve the ways and means of their financial support to countries of both regions of Central Asia and South Caucasus. I am talking not only about quantity of resources for them, though no one will object increase of support. Point is that it is equally important to apply truly more reform oriented policy of financial aid. For instance I believe that more resources should be available for micro-credits aiming support of small and medium business rather than fueling huge government backed soviet stile projects. Small business by definition is genuinely market-minded and increasing of its share in economy will inevitably lead to strengthening of reform's social base.

Second, the understanding of immediate dependence of West's security interests from the developments in Central Asia has led to the creation of precedent of the NATO troop's presence in the region. The necessity to undertake decisive measures in order to eliminate the threat of international terror emanating from the territory of Afghanistan, led to the first in history deployment of the U.S. and the West's troops in Central Asia. Seemingly obtaining the goals of the antiterrorist coalition in the region will require no less than ten years.

Third, another unique precedent we have observed within recent year in Central Asia was embryonic form of non-zero-sum-game cooperation among all regional powers and Western countries vis-a-vis counter-terrorist operation in Afghanistan.

Fourth, as a result of the substantial reduction of external threat stemming from Afghanistan, unique new opportunities for development and modernization of Central Asian countries with the adequate support from the international community, are now opening up. As never before there is best chances for accelerating of democratic and market reforms since the main impediment - situation in Afghanistan - is not an obstacle any more. More over for the first time Afghanistan provides tremendous opportunity for neighboring countries.

Fifth, the chance to address region's main and predominant challenge - the geographic isolation - has emerged.

In order to understand Central Asia's perspectives, they must be analyzed through the prism of the predominant challenge and prevailing problem of the region: its landlockedness. Alongside with mountainous character of landscape - according to economics textbooks another significant disadvantage - it creates a lot of problems.

There are 35 landlocked countries in the world, 28 of which are outside of Europe. The richest among them, Botswana - one of leading producer of diamonds in the world - ranks 47th place in the world. The second is Paraguay at 72nd. Non-European landlocked countries have an average income of \$1,673, whereas non-European coastal countries have \$5,691. The average GDP per head in Central Asia is \$1.6 thousand, and the same figure is true for South Caucasus.

Of course, geography is not everything and I'd be the last person who'd try to explain the processes in Central Asia from the viewpoint of geographic determination.

However, landlockedness sometimes explains a great deal, including some specifics of political development, and priorities of both domestic and foreign policy.

The problem of transport isolation is most acutely felt by Uzbekistan a double land-locked country. It is the single country in the world which is as distant from the nearest seaport as 3 thousand kilometers away.

The geographical remoteness from the main sea communicational systems is a serious disadvantage on the way of fully-fledged participation of the region in globalization. Often the expenses for the transportation of the imported goods exceed the original prices by 60%. All these factors make export of some goods economically unprofitable and import of the vital goods burdensome.

The cornerstone of the national strategy of Uzbekistan is the development of transport communications in the region. Here I would like to stress on the EU's TRASECA project (transport corridor Europe-Caucasus-Asia). It is aimed to connect Europe with Central Asia and to revive one of the Great Silk Road ancient routs.

The agreements signed among Central Asian, Caucasian and European nations have already marked the creation of Trans-Caucasian corridor. It goes through Tashkent - Ashgabat -Turkmenbashi - Baku - and Poti to Romanian port Constance and Bulgarian port Varna. TRACECA is twice as short as Far Eastern routs, 1,8 times shorter than the Baltic routes, and 1,6 and 1,3 times shorter than Istanbul and Bandar Abass routs.

In August 1996 with the purpose to implement project of new transport corridors towards Asian countries, Uzbekistan signed an agreement with Kyrgyzstan and China on the route Ashgabat - Tashkent - Osh - Kashgar. Under this agreement Uzbekistan already has invested 30 m US dollars to the reconstruction of the Kyrgyz highways.

Perspectives of peace in Afghanistan will also open new opportunities for transport corridors to the Indian Ocean in the southern direction. This will undoubtedly stimulate social, economic and political development of the whole Central and Southern Asia regions.

We deeply belief that the development of the region's transport communications will open new prospects for the expansion of export, will boost foreign trade and finally facilitate integration of the Central Asian countries into the global economic processes.

Water Resources in Central Asia: Challenges and Possibilities

While speaking on Central Asia we can not ignore the problem of water resources and its distribution in the region. The comprehensive solution of this issue becomes a key factor for the future sustainable development of Central Asia.

Geographically, countries of Central Asia are situated within the Aral Sea basin, which consists of two major rivers - Amudarya and Syrdarya. In addition to the five Central Asian states, the basin includes in part Afghanistan and northern Iran.

The common flow of this two rivers accounts for 90% of the total water consumption in the region, which is equal to 125 cubic km per year. The arid (prevalence of evaporation over precipitation) and semi-arid conditions with sharp continental climate determined water as the major fac-

tor of existence and development for all countries of the Aral Sea basin. About 50% of the economic activity, which engages 60-70% of the population, connected with land and water resources use. Irrigation consumes 90% of the basin water volume. In this basin water being not only a source of drinking, industrial and irrigation supply, but simultaneously a source of cheap energy, as well as key regional and global environmental component.

In general the problem of water resources in Central Asia requires to consider the following factors, which potentially could strain the interstate relations in the region, destabilize social, economic and ecological situation.

Scientists found that dust and salt from Aral Sea adds to the pollution of the atmosphere and increases aerosol content by 5%, which, in turn, influences process of global warming and the change of a climate.

Because of the interdependence in economic development of the Central Asian republics, the problem of the Aral Sea has a growing influence on social processes in the region and could have a serious negative impact on the course of economic and political reforms in the countries of the region.

First, uneven distribution of the water resources in the region. During the Soviet times, all water resources of the Aral Sea basin were centrally distributed among the republics. After independence gaining, countries of Central Asia faced the necessity to create the new mechanisms which will balance differences in regional interests, to find solutions for the problems created by the unevenness in water distribution and consumption.

Uzbekistan, located in the center of the Aral Sea basin water systems, consumes 50% of regional water resources. At the same time only 10 – 12% of the rivers' flow originates on the territory of our republic. The shortage of water resources is also a problem for Turkmenistan, northern Afghanistan, and Kazakhstan. But through the countries located at the upper reaches of the rivers about 80% of water resources are flowing.

This situation creates countries different approaches towards use of hydro technical facilities. In particular for Kyrgyzstan and Tajikistan it is profitable to use these facilities to produce electric power by releasing water evenly throughout the year. But for the countries at the lower reaches of the basin, it is necessary to accumulate water during the winter-spring season in order to use it for agricultural needs during summer and fall.

Uncoordinated use of water resources in the region frequently leads to the serious problems in the interstate relations. For example, the excess water release from Kyrgyzstan during the winter season sinks thousands of hectares of the sowing areas in Uzbekistan and dramatically reduces the water supply at the vegetation period. Uzbekistan and other Central Asian countries suffer a damage to their economies equal to 770 million USD, including 400 million USD in agriculture sector.

On the other hand the limited water allocation imposes restriction on energy generation enterprises and leads to the high loses in energy generation during winter time for the upstream countries.

At present consensus between countries has been reached by short-term agreements based on mutual supplies of gas and coal instead of electric energy and water.

Second, the limited nature of water resources and deterioration of the environmental conditions. The Central Asian countries inherited from the Soviet times the extensive use of water resources in the region. And this led to the Aral crisis which is today a global ecological disaster. In the '60s the Aral Sea had an absolute level of 53,4 meters, a water volume of 1,064 cubic km., a surface area of 66 thousand square km, and water saltiness of 10-11 grams per

liter. By 1994, the level had fallen to 32,5 meters, the volume of water was less than 400 cubic km., the water surface had shrunk to 32,5 thousand square km. As a result in 1997 the level of saltiness had exceeded 40 grams per liter, which is practically meant the biological dead of the Sea.

The dried bed of the Aral Sea has already reached the size of 4 million hectares. It now acts as a source of atmospheric pollution. Every year strong winds blow out from 15 to 75 million tons of dust and salt. This reduces soil's fertility, increases its salination.

During the '90s the scarcity of water resources, despite of some prognosis, practically was not an urgent problem for Central Asian Countries. But by the year 1998 the droughty tendencies start to prevail in the region. The Central Asia for the first time seriously suffered from the drought. The annual sum of precipitation has reduced by 55% comparing to the average long-term data. At the same time forecasting global warming could negatively influence reserves of snow and ice in the mountains of Tyan-Shan, Altay, and Pamir - the main sources of water for Syrdarya and Amudarya. This means that the development of irrigated lands in Central Asia is taking place at the expense of non - recommended relic resources.

In general these factors could seriously strain the social and economic situation in the region. At the present time on the territory of Central Asian countries, which commonly use the water of the Aral Sea basin, more than 7,5 million hectares of the agricultural lands are being irrigated. Agricultural share of the regional GDP is about 30%. The well-being of more than 50 million man directly depends on agricultural sector of economics. The shortage of water resources may lead to serious consequences in social and economical status of the population, in provision of food and employment for the people, whose number is expected to grow by one third by the year 2020.

Third, deterioration of the water facilities and irrigation infrastructure.

The deterioration of the hydro-technical and irrigation facilities, as well as distribution and drainage systems reduces the efficiency of the water consumption and increases its waste. This situation creates the problem of maintaining and modernization of water facilities, which has been using by more than one country of the region. The shortage of financial resources in the countries of Central Asia displays the variety of problems at the national and regional levels.

All these issues are tightening Central Asian countries in one complicated system of interrelations in the spheres of economy, politics, ecology and security. From one hand, such situation creates preconditions for the conflicts but from another to the close regional cooperation. Comparing Central Asia with other parts of the world (Middle East, South America), countries of the region have realized the significance of the challenges they are facing now. Today national strategies of the Central Asian countries consider all regional factors and guided by consensus rather than a conflict.

According to the Alma-Aty Agreement of 1992 countries of Central Asia agreed that regional water resources should belong to the countries of the region and managed jointly.

During the recent meeting of the Central Asians leaders in October of this year in Dushanbe the issue of the further development of the trans-boundary rivers management was raised. Particularly, the idea of the establishment of the International water-power consortium was discussed.

The nature does not recognize national boundaries. At the same time the nature has not gifted all corners of the world by the same amount of resources. It is the source of conflicts, as well as the base for cooperation. For the long-term perspective this paradox could be the main paradigm of the Central Asian development, where the issue of the access to the water resources will become more critical.

Right now the Central Asian region is experiencing an extremely difficult and crucial stage of own development. The Central Asian states counteract challenges, which in many respects have a fateful implications not only for the region, but also for the entire international community. Therefore it is extremely important to support the states of Central Asia in their aspiration to make the region more stable, highly integrated in modern economic and political international processes.