

## REGIONAL POLITICS

**CENTRAL ASIA  
IN REGIONAL INTEGRATION PROJECTS:  
CERTAIN ASPECTS COMPARED**

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From the very first days of their independence the post-Soviet Central Asian states rich in natural resources and ruled by elites with little (if any) experience in international affairs have been objects of close attention by external players who hastened to the Eurasian geopolitical arena to put pressure on what looked like easy prey. Today multisided integration structures have been and remain a popular lever of pressure.

Their popularity is easily explained by successful European experience. Like many others, the Central Asian states succumbed to the temptation to take part in the multisided cooperation structures set up within their geopolitical and geo-economic contexts.

Since the late 1991 the Central Asian states have been involved (successfully and otherwise) in several integration structures (mainly limited to the post-Soviet expanse): the Commonwealth of Independent States (since 1991), all sorts of sub-regional Central Asian cooperation formats (1994-2005), and the Collective Security Treaty Organization (since 1999).

For the purpose of this article I have selected three multisided structures functioning in three different spheres of the Central Asian republics' "extraregional" integration activity: the Economic Cooperation Organization (ECO), the Eurasian Economic Community (EurAsEC), and the Shanghai Cooperation Organization (SCO). All of them were set up to promote economic integration among their members with the prospect of setting up free trade areas and involving the regional states in cooperation with countries outside post-Soviet Central Asia. Four of the Central Asian republics take part in all of the above structures with the exception of Uzbekistan, which

left the EurAsEC in November 2008, and Turkmenistan, which has limited its involvement to the ECO.

It was not the regional states that set up the structures and they have no central roles to play in them. Still, two Eurasian giants, permanent members of the UN Security Council (Russia and China), as well as several states of regional dimensions (Iran, Turkey and Pakistan), are involved in a fierce struggle for the local countries' resources and their transit potential. In this context the Central Asian states are left with the task of maneuvering among the interests of these much stronger states.

It should be said in all justice that with fifteen years of independent foreign policies and stronger economic positions behind them the Central Asian countries have learned how to stand up for their interests and how to talk as equals with those who sponsored the regional projects in the first place.

None of the three selected structures can be described as successful even though all of them have fairly clear-cut integration aims and prerequisites for deeper interstate cooperation. (I have in mind common borders, cultural and historical factors, and the obvious need to pool efforts to develop transport and communication infrastructure together.)

I have posed myself the task of identifying the common and different features of the three structures and revealing the factors behind their efficiency as tools of regional economic cooperation.

The ECO, the oldest of the three, is related to the Muslim vector in the local states' foreign policies. Set up in 1985 by Iran, Pakistan, and Turkey, it was the de facto successor of the disintegrated Central Treaty Organization (an economic structure) and the military-political CENTO bloc. Today all the "non-Arabic" Muslim states of the vast region stretching from the Mediterranean to the Himalayas are ECO members. Five Central Asian republics, Azerbaijan, and Afghanistan joined it all together in 1992-1993.

In the early 1990s it looked to be a serious alternative to integration with Russia and a promising tool for developing infrastructure for the sake of diversifying export along the regional energy resource and transportation corridors.<sup>1</sup> Today the organization is barely visible.

The EurAsEC, the second of the selected structures, de facto reflects the Russian trend in the local states' foreign economic activities. It was set up in 2000 to implement the earlier initiative of President Nazarbaev of Kazakhstan. Today it unites Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan.<sup>2</sup>

The SCO, the third of the multisided structures, is the only regional organization in which Central Asian states cooperate with China. It reflects the Chinese trend of Central Asia's foreign policies despite Russia's presence in it, which provides a powerful balancing-out factor.

It was set up in 2001 on the basis of the Shanghai Five (China, Russia, Kazakhstan, Tajikistan, and Kyrgyzstan) after Uzbekistan joined it. Initially a structure designed to settle border issues and ensure regional security, the SCO recently expanded its activity to include economic cooperation among the members.

The March 2008 opinion poll among leading Kazakhstani political scientists and economists supplements the information offered by the official Internet sites of the three structures.<sup>3</sup> The poll was intended to identify the expert community's predominant opinions about the integration processes underway in Central Asia. We polled 20 leading experts employed by governmental and private analytical structures.

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<sup>1</sup> See: M.B. Olcott, A. Åslund, Sh.W. Garnett, *Regional Cooperation and Commonwealth of Independent States. Getting It Wrong*, Washington DC., Carnegie Endowment for International Peace, 1999, pp. 191-193.

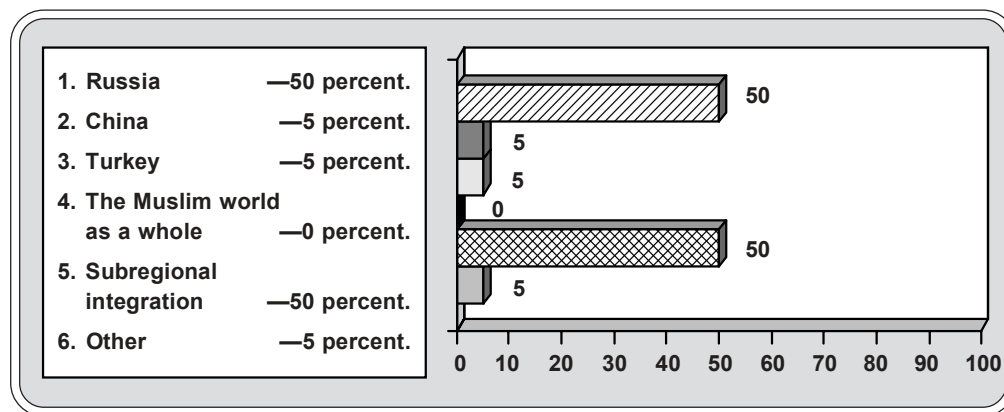
<sup>2</sup> In November 2008 Uzbekistan suspended its membership in the EurAsEC.

<sup>3</sup> For complete results of the poll see: G. Abdrakhmanova, "Proekty regionalnoy integratsii v Tsentralnoy Azii glazami kazakhstanskikh ekspertov," *Kazakhstan v globalnykh protsessakh*, No. 3, 2008.

The first question was intended to find out which of the partners are believed to be best suited for the regional integration projects—Russia, China, Turkey, or the Muslim world as a whole—or whether the local states should limit themselves to subregional integration. The majority were divided between integration with Russia and subregional integration without external partners (50 percent for each of the options). Five percent favored multilateral cooperation with China or Turkey (some of the respondents selected more than one option). None of the respondents supported multisided cooperation with the Muslim world as a priority.

Diagram 1

**Distribution of Answers to the Question:  
“Regional integration with which of the neighboring states  
is best suited to the interests of  
the Central Asian states?”**



In 2005, when the OCAC (Organization of Central Asian Cooperation) and EurAsEC merged, subregional integration of post-Soviet Central Asian lost its real structural representation. This idea is unlikely to be enthusiastically supported by the leaders of five Central Asian states in the near future. This explains why subregional integration that does not presuppose extra-regional involvement (an option that drew 50 percent of answers) looks like a long-term perspective.

Several factors are responsible for the obvious preference of cooperation with Moscow.

- First, the Russian-speaking Central Asian elites are still emotionally attached to the former metropolitan state.
- Second, Russia has objectively strengthened its position both in the political dialogue and in mutually advantageous business cooperation.
- Third, cooperation with Turkey and other Muslim Eastern partners produced disappointing results; there is a lot of mistrust in the lecturing West and fear of Chinese “expansion.”
- Fourth, Moscow’s advantages, as seen by the local elites, are also rooted in Central Asia’s continued dependence on the Russian Federation in the transport and communication sphere; and Russia remains an important market for a large part of Central Asian exports (oil, gas, electric power, cotton, etc.).

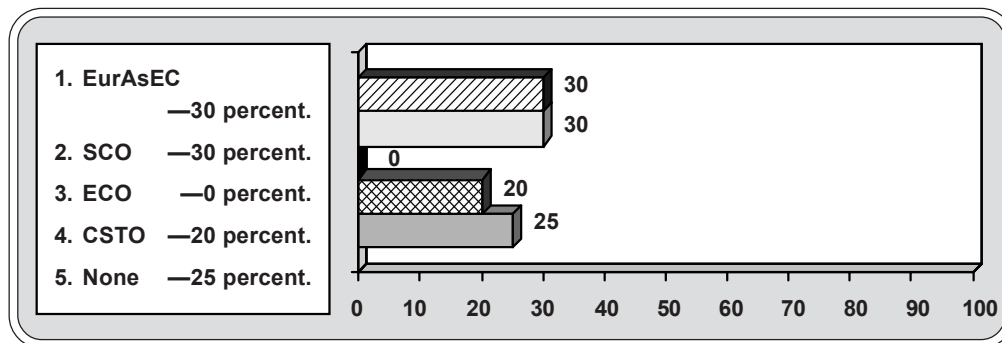
The fact that pro-Russian sentiments are still prevalent when it comes to regional cooperation was confirmed by the answers to one more question about the most efficient interstate structures present

in Central Asia. Three organizations in which Moscow was involved (one of them the CSTO, a military-political structure) were supported by the largest share of experts: the EurAsEC and SCO gained 30 percent each while CSTO chalked up 20 percent. The Kazakhstani political scientists obviously saw regional cooperation within the ECO as inefficient.

Significantly, a quarter of the polled selected the “None” option, which means that the expert community has a low opinion about the efficiency of integration projects functioning in the region.

Diagram 2

**Distribution of Answers to the Question:  
“Which of the interstate structures  
in Central Asia is the most effective?”**



We based our comparison of the three organizations on their structures to trace the most obvious features of the degree of each member’s interest in them as reflected by their roles.

The three structures (ECO, EurAsEC, and SCO) have similar fairly ramified structures; they organize meetings of the heads of state and government, there are councils of foreign ministers of member states; the heads of branch ministries and experts on all the various cooperation trends meet to discuss the issues at hand; and there are plans (realized in one case) to set up development banks.

Each of the organizations has a secretariat and headquarters; the location of the latter shows which of the states is most interested in any given interstate structure. The ECO has its headquarters in Tehran while Iran, more frequently than the other members, formulated all sorts of initiatives designed to deepen cooperation within this structure. The EurAsEC has its main structures divided between Moscow and Almaty, evidence of both countries’ special roles in it. The SCO is based in Beijing: China finds its involvement in the organization designed to develop its cooperation with the Central Asian republics and Russia to be of great importance: it confirms its status as one of the regional leaders.

The national affiliation of the heads of secretariats of these structures is no less eloquent. Out of four Central Asian states Kazakhstan alone had the honor (or probably it was the only one to claim it) to appoint secretary generals of these interstate structures. Today, prominent Kazakhstani diplomats Bolat Nurgaliev fills the post of the SCO Secretary General (he replaced a Chinese representative); another Kazakhstani, Tair Mansurov, replaced Russia’s citizen as the head of the EurAsEC Secretariat; at one time a Kazakhstani citizen held a high post in the ECO: be-

tween 2003 and 2006 Askhat Orazbay was its Secretary General (before him the post was transferred from one founding country to another—Iran, Pakistan and Turkey—with a strong bias toward Iran).

This is eloquent enough: together with Iran, Russia and China, the capitals of which house the ECO, EurAsEC and SCO headquarters, Kazakhstan is very active in the three structures. Other post-Soviet Central Asian republics have no instruments to actively promote their initiatives within these regional structures or they are probably not interested enough in them.

The principles on which the budgets of the three organizations are formed give more food for thought together with their impact on the role and place of each country in decision-making.

In EurAsEC, for example, the size of budget contributions is directly related to the number of votes in the decision-making procedure in the Integration Committee. According to the official information supplied by the organization's site, "the Community's budget is formed from contributions: 40 percent is contributed by Russia; 15 percent each by Belarus, Kazakhstan, and Uzbekistan, and 7.5 percent each by Kyrgyzstan and Tajikistan."<sup>4</sup> The decisions are made by a two-thirds majority; when arriving at decisions the number of votes matches each country's contribution to the budget. No qualified majority, therefore, is possible without Russia, which means that it alone has the right of veto. Any other member can block out Russia's motion only if supported by two others.

The SCO budget is likewise based on different contributions, although their sizes do not affect the vote count: Russia and China are responsible for 24 per cent of the annual spending each; Kazakhstan for 21 percent; Uzbekistan for 15 percent; Kyrgyzstan for 10 percent; and Tajikistan for 6 percent.<sup>5</sup> It looks as if here too Moscow profits from this pattern more than any other partner: it finds it easier than Beijing to convince its Central Asian partners. Theoretically, though, the Central Asian countries might move to China's side to oppose the Russians.

The ECO budget is formed according to the following pattern: two-thirds of spending (66 percent) is covered by equal contributions from the three founding countries (Iran, Pakistan, and Turkey), while the remaining 34 percent is collected by seven other members (Azerbaijan, Afghanistan, and five Central Asian states). The official site gives no information about the exact share of each of them; we can surmise, however, that it is between 2 and 5 percent for the Central Asian states (with the exception of Kazakhstan: its GDP suggests that it might contribute at least 10 percent to the ECO budget).

This pattern was introduced in January 2004: before that the newcomers paid even less. I have failed to locate information about the voting pattern and its possible dependence on the way the budget is formed, however Central Asia's contributions to the ECO budget are much lower than in the other two projects, which matches the level of their interest in the Tehran-based structure.

The economic cooperation programs of the three organizations pay particular attention to interaction in the financial sphere and possible joint crediting of mutually advantageous projects. This is reflected, in particular, in setting up development banks within these integration structures and in the current discussion about possible integration of their members' financial markets.

The ECO passed a decision on the Trade and Development Bank back in the early 1990s.<sup>6</sup> Between 2003 and 2005 there was a lot of talk of its functioning "in the near future." It was a tripartite project of the founding members, which pledged equal contributions to its authorized capital; Istanbul was selected as the place of its location but nothing much has happened. In the past three years nothing has been said about the project.

<sup>4</sup> See: [<http://www.evrases.com/ru/main/infopage/3/>].

<sup>5</sup> See: [<http://www.polpred.com/country/cn/free.html?book=925&country=77&id=5332&act=text>].

<sup>6</sup> See: M.B. Olcott, A. Åslund, Sh.W. Garnett, op. cit., p. 192.

The EurAsEC has moved further than ECO: in January 2006 it set up the Eurasian Development Bank (EADB) with Russia and Kazakhstan as two founding members and an authorized capital of \$1.5 billion. Russia invested two-thirds and Kazakhstan contributed one-third.<sup>7</sup> According to State Minister of Turkey Beşir Atalay, the authorized capital of the planned ECO Trade and Development Bank was about \$ 1 billion, formed by three countries.<sup>8</sup>

Like any other bank, the EADB is involved in crediting large-scale projects of state or international importance, which are beyond the means of private investors. Power production and distribution, the water and energy complex, transport infrastructure, high-tech production, and innovation technologies were described as the Bank's absolute priorities.

In almost three years the Bank financed projects totaling \$605.1 million,<sup>9</sup> all of them either in Russia or Kazakhstan: the Bank has nothing to do with the projects of EurAsEC members that have not contributed to its authorized capital.

The SCO, likewise, pays attention to interstate cooperation in the financial sphere, although the organization has not yet arrived at a decision about its own development bank.

The SCO members made the first step toward deeper financial cooperation by setting up a SCO Interbank Association that united the Vneshekonombank (Russia), the Development Bank of Kazakhstan, the State Development Bank of China, the Settlement and Saving Company (Kyrgyzstan), the Amonatbank National Saving Bank of Tajikistan, and the National Bank for Foreign Economic Affairs of Uzbekistan. All of them belong to the state.

For objective reasons the SCO Interbank Association cannot be compared with what the EADB is doing: the latter is a full-fledged functioning financial organization. It can be said, however, that cooperation among the national banks of the SCO members is the first step toward a joint financial center. In August 2008, the EADB and SCO IBC (Interbank Consortium) signed a memorandum on partnership principles.

Let us turn to the other forms of economic cooperation within these three structures. The SCO has recently been addressing economic issues while the other two structures have been engaged in economic programs from the very beginning. The fundamental documents of the EurAsEC and ECO are very similar: they talk about developing the economies of their members, their gradual integration into the world economy, overcoming barriers in regional trade, and, finally, setting up a free trade area.<sup>10</sup>

Today, any form of economic alliance within the SCO is absent from the agenda despite Beijing's desire to discuss it. The ECO announced that it planned to set up a free trade area by 2015. The EurAsEC plans to complete the single economic expanse project by 2010, however in both cases integration is going much slower than expected.

Within the ECO only Iran, Turkey, and Pakistan announced that they were ready to form a free trade area; the Central Asian Four, on the other hand, will probably opt for a more realistic EurAsEC project.

The latter, however, is progressing fairly slowly for several reasons: different development levels of the member-states, political disagreements, etc.

All three structures, for example, have to cope with the problem of correlating their involvement in them and their WTO membership. Each of the three structures has three groups of states—WTO members (Pakistan, Turkey, and Kyrgyzstan in the ECO; Kyrgyzstan and China in the SCO,

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<sup>7</sup> See: [<http://www.eabr.org/rus/about/foundation/>].

<sup>8</sup> See: [[http://gzt.uz/rus/ekonomika/ankara\\_tegeran\\_karachi\\_sozdayut\\_v\\_ramkah\\_oes\\_bank\\_s\\_kapitalom\\_v\\_1\\_milliar.mgr](http://gzt.uz/rus/ekonomika/ankara_tegeran_karachi_sozdayut_v_ramkah_oes_bank_s_kapitalom_v_1_milliar.mgr)].

<sup>9</sup> See: [<http://www.eabr.org/rus/projects/portfolio/>].

<sup>10</sup> See: [[http://www.ecosecretariat.org/Detail\\_info/About\\_ECO\\_D.htm](http://www.ecosecretariat.org/Detail_info/About_ECO_D.htm)], [<http://www.evrazes.com/ru/main/infopage/3/>].

and Kyrgyzstan in the EurAsEC); some countries are actively involved in the WTO talks (Kazakhstan, Azerbaijan, and Tajikistan in the ECO; Kazakhstan, Tajikistan and Russia in the SCO, and Belarus, Kazakhstan, Russia, and Tajikistan in the EurAsEC) while others are taking their time (Iran, Uzbekistan, and Turkmenistan in the ECO; and Uzbekistan in the EurAsEC and SCO). Regional trade policy within regional economic associations is greatly complicated by WTO membership and the talks about it.

The compatibility of the economic programs and of the obligations to other partners of the states involved in the three structures with similar tasks and the parallel involvement of the same Central Asian members in all of them is a central issue.

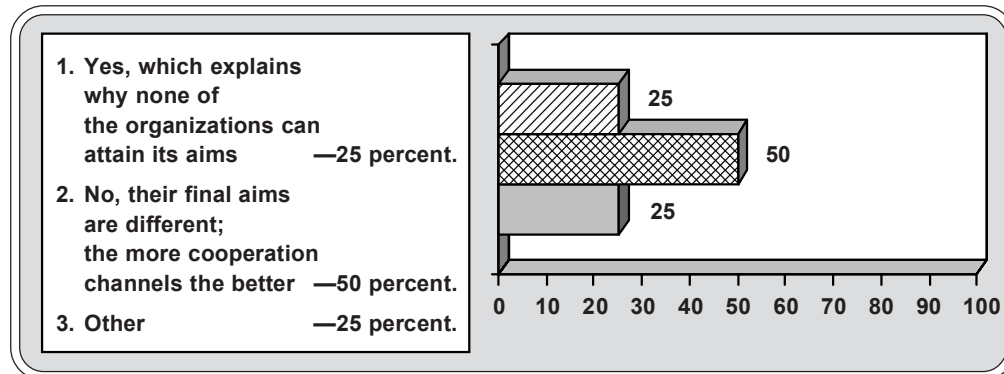
One of the questions we asked the expert community was directly related to the above: Does the functioning of several regional cooperation organizations in Central Asia interfere with the attainment of their aims?

Fifty percent of the polled were convinced that this is not an impediment; some of them believed that the final aims of these organizations are too different to interfere with their activities, while others pointed out that the more cooperation channels the better and that “they did not interfere in each other’s activities.”

A quarter of the experts, on the other hand, believed that parallel functioning of regional cooperation structures was one of the reasons for the low diplomatic effectiveness of the states in this direction.

Diagram 3

**Distribution of Answers to the Question:  
“Does the functioning of several regional cooperation organizations  
in Central Asia (EurAsEC, SCO, and ECO) interfere with  
the attainment of their aims?”**



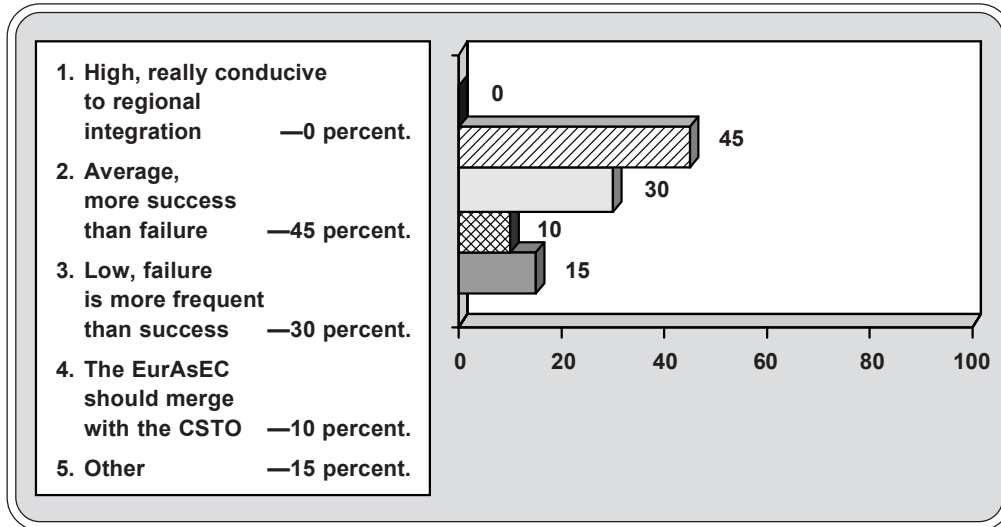
Those who selected the “Other” option (25 percent) supported either the positive or the negative choice. Here are two most typical, if opposite, approaches to the issue.

According to one of the experts, “the presence of three similar integration structures in Central Asia is a sign that the regional countries have no clear idea about why they should be involved in these structures. Quantity undermines quality—the Central Asian countries take what they need from each of the structures at any given moment and refuse to budge on unprofitable issues.”

Another expert wrote: “The continued functioning of the three organizations shows that the regional countries are seeking a balance in the far from simple geopolitical environment. Their

Diagram 4

Distribution of Answers to the Question:  
“How do you assess the EurAsEC’s efficiency?”



very location and their rich resources make it hard to select strategic partners. It is impossible, for the same reason, to limit integration to this region alone—we should look for extra-regional partners.”

At the same time I was taken aback by the fact that a (relative) majority supported the idea of parallel regional cooperation with several partners. This is a rational idea: the three regional organizations allow the Central Asian states to address several important foreign policy tasks and diversify their foreign economic contacts.

The poll included three questions related to the effectiveness of each of the structures—the ECO, EurAsEC, and SCO—or, rather, their economic programs. Significantly, none of the structures obtained the highest mark: 45 percent assessed the performance of the EurAsEC, SCO, and ECO as “average,” in which success is slightly more frequent than failure.

Thirty and thirty-five percent of the analysts offered a negative opinion about their economic cooperation programs; 10 percent supported the highly discussed possibility of joining the EurAsEC with CSTO; 15 percent pointed out that the SCO did not need economic programs at all.

Half of the respondents believed that the ECO’s efficiency was low and that the structure should be disbanded; only 15 percent said its efficiency was average.

Since today the media devote much more time and space to the EurAsEC and SCO than to the ECO, we decided to offer an option that reflected this state of affairs: 25 percent of the polled selected this variant.

The fact that even the best informed part of Kazakhstani society knows next to nothing about the ECO, the summits of which were attended by the president, premiers, and foreign ministers and the secretariat of which was headed by Kazakhstani diplomats, shows that the ECO’s prestige in Kazakhstan is very low (the same can be probably said of its Central Asian neighbors).

The poll testified, however, that the EurAsEC received fewer negative answers (that is, a relatively high assessment from the polled) to the questions about the efficiency of the regional eco-



Diagram 5

Distribution of Answers to the Question:  
 “How do you assess the efficiency of  
 the SCO’s economic program?”

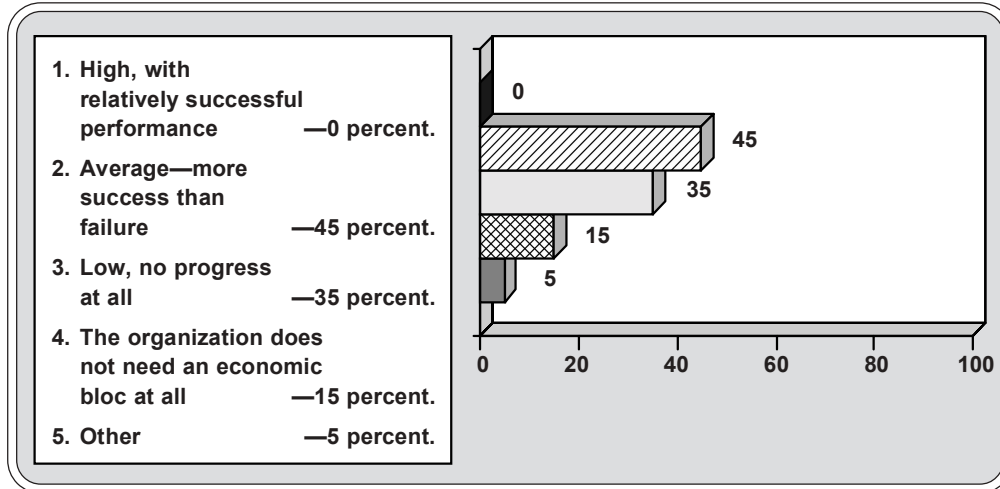
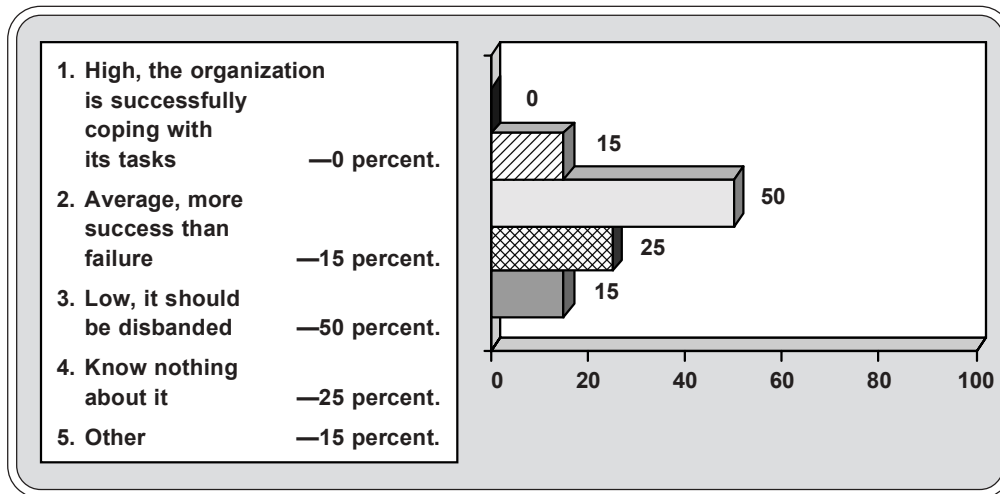


Diagram 6

Distribution of Answers to the Question:  
 “How do you assess the ECO’s effectiveness?”



conomic associations. This structure, the leading role and the only right of veto in which belongs to Moscow, is regarded in Central Asia as the most acceptable instrument of multisided regional co-operation.

At the same time, the SCO is also regarded as the most efficient regional Central Asian structure. The experts were not asked to compare the economic programs of the EurAsEC and SCO. In fact, the latter's economic program was assessed slightly lower than the former. The share of experts who sided with the idea of reorganizing the SCO's economic bloc was somewhat higher than the share of those who suggested that the EurAsEC should merge with the CSTO. This suggests the conclusion that the equal efficiency rating of the EurAsEC and SCO should be regarded as an admission of the latter's efficiency in ensuring regional security.

The fact that the SCO is much more attractive than the ECO is confirmed by two of the latter's founders' (Iran and Pakistan) insistent desire to join the Shanghai Club with Russia and China as its two informal leaders.

Back in the 1990s the picture was different: there were talks about Beijing's interest in closer cooperation with the ECO.<sup>11</sup> According to the Russian Internet publication *polpred.com*, in 1995 Moscow tried to join the ECO and was rejected by Iran. Tehran was convinced that Russia's huge economic potential would move it to the fore at the expense of the Muslim component and would squeeze its potential rivals along the region's southern borders from Central Asia. In 1997, Moscow's repeated request was blocked by Baku and Islamabad for similar reasons.<sup>12</sup> This means that the ECO could have initially developed into a much larger regional organization.

Today the situation is different: the SCO led by China and Russia looks like a much more promising regional structure than the ECO. The obvious conclusion that Ankara, Tehran, and Islamabad lost the latent struggle for domination in Central Asia to Moscow and Beijing leads to another, much more important, consideration.

The rise of the SCO and the "dawn" of the ECO that happened in the last decade show that the ruling Central Asian elites are much more interested in the structures dealing with military-political security rather than with trade and economic integration. In the future, trade and economic integration may develop on the basis of the SCO, which ensures stable and relatively predictable political development in the region. The EurAsEC, on the other hand, can be regarded as a sort of CSTO extension.

World experience has shown that the ECO developed and flourished under the protection of NATO and the WEU (Western European Union), two military-political blocs. This means that progress and economic development are impossible without a certain security level. The ECO was deprived of a security climate: indeed, the highly unstable Iranian and Pakistani regimes could hardly protect the secular Central Asian regimes. The opposite was true: the Central Asian countries feared their religious fundamentalism. This factor coupled with the inability of the Middle Eastern partners to implement their projects within ECO pushed the Central Asian states toward Moscow and Beijing.

There is another consideration: despite the fairly complicated pattern of involvement in several multisided economic structures, multi-vector regional cooperation of the central Asian countries within the ECO, EurAsEC, and SCO offers more chance for a dialogue with their foreign policy partners in the quest for ways to realize their foreign economic interests.

At the same time, the ruling elites see the current close cooperation with Russia within the EurAsEC and possible economic integration with it as more promising than similar cooperation with the other regional players—China and the centers of power to the south of Central Asia.

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<sup>11</sup> See: R.M. Mukimjanova, "Gosudarstva Tsentralnoi Azii i ikh iuzhnye sosedi," *Vostok*, No. 5, 1996, p. 61.

<sup>12</sup> [<http://www.turkey.polpred.ru/tom1/23.htm>].