The governments of Central Asia and the south Caucasus face a kaleidoscope of challenges as they each navigate the transition to modern, independent, and stable states. Most of these problems emanate from internal dynamics within each state that limit their ability to ensure stable and legitimate governments for the population. These are weak states characterized by repressive personalistic rule with strong ethnic divisions and gross maldistribution of income and resources. These problems are compounded by the weakness of intraregional cooperation on a host of shared economic, security, and social problems. Together, the weakness of these states and the absence of multilateral cooperation threaten Western strategic interests in maintaining regional stability, a favorable balance of power, and access to energy supplies. These trends suggest that the next 10–15 years could witness the emergence of large-scale instability and conflict and the possibility of state collapse.

INTERNAL THREATS TO STABILITY

The emergence of truly independent and stable states in Central Asia and the south Caucasus is impeded by the magnitude of challenges they face. These weak states must resolve conflicts over both the redistribution of political power and the control over economic resources, in an environment where ethnic tensions and other social, cultural, and religious cleavages have been exacerbated by previous
colonial (Soviet) policies. The very weakness of these states increases the role of subnational identities in internal politics. This, in turn, poses further threats to the stability and integrity of states in the region.

Perhaps the most important factor threatening the long-term security and stability of Central Asia and the south Caucasus is the absence of institutionalized mechanisms for the resolution of the inevitable expression of economic, ethnic, or political grievances and ambitions. None of the countries has come very far in creating coalition or power-sharing arrangements between key groups of elites, much less opposition parties. Few have acknowledged mechanisms for the transfer of power. Dissatisfaction with an incompetent or corrupt regime is also likely to foster serious internal political instability as rival alternative groups jockey for power. This is apt to become a very real issue as the current leaders age and do not cultivate successors.

The Caspian area is characterized by enormous ethnic, linguistic, cultural, tribal, and religious diversity. Soviet-era borders arbitrarily divided ethnic groups into one or more states and placed dissatisfied minorities within states. These conditions make separatism and irredentism possible, as witnessed by the struggles in Abkhazia and Karabakh and the low-level conflict in the Fergana Valley between Uzbekistan and Tajikistan. In addition, within many of these states, the continuation of Soviet ethnic policies of titular and preferred national status, which has led to political stability in the short term, threatens long-term stability by inflaming tribal, political, and eco-

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1These policies include the preferential treatment of settler populations or the designation of often minority titular nationalities as well as the arbitrary delineation of borders. See David Laitin’s work on Central Asia; Graham Fuller, “Central Asia: The Quest for Identity,” Current History, Vol. 93, No. 582, April 1994, pp. 145–149, for discussion of titular nationalities; and Ashley J. Tellis, Thomas S. Szayna, and James A. Winnefeld, Anticipating Ethnic Conflict, RAND, 1997, for discussion on the potential for ethnic strife and catalysts for mobilization.

nomic grievances. In Kazakhstan, for example, among those most alienated are the majority of the urban population as well as minority groups in the resource-rich western part of the country. The situation is reminiscent of Nigerian ethnic and economic policies.

ECONOMIC DEPRIVATION AND SOCIAL DISCONTENT

The collapse of the Soviet Union and the transition to independent economies have resulted in an enormous economic disruption for all of the former Soviet republics. The result of the collapse is that the economies and societies of Central Asia and the south Caucasus have experienced rapid declines in their incomes and purchasing power.

Under the Soviet Union, the populations of the Caspian region were the beneficiaries of a comprehensive package of social services. As a consequence, educational, health, and welfare standards were well above those of their non-Soviet neighbors. With the end of Moscow’s subsidization of these programs, social services have fallen at the same time as real Gross National Product (GNP) has dropped. Since 1989, GNP for the former Soviet Union (FSU) overall has fallen on average about 33 percent as measured in World Bank Atlas exchange rates or compared with U.S. purchasing power parity. It seems likely that stabilization will be accompanied by stagnation for a few more years before production slowly begins to increase. Furthermore, within this generally depressing picture, there are great regional differences. The worst cases are those states—Georgia, Tajikistan, Azerbaijan, and Armenia—that have had to spend a percentage of their income on the conduct of war.

In many of the Central Asian countries, particular clans, often numerically in the minority, were favored by the Communist Party for local leadership positions and continue to have a disproportionate hold on power in the newly independent states. In Kazakhstan, for instance, power has increasingly become concentrated in the hands of President Nazarbayev and his clan. See Nurbulat E. Masanov, “The Clan Factor in Contemporary Political Life in Kazakhstan,” translated by Mark Eckert, Johnson’s Russia List, February 20, 1998.

Geoffrey Jukes, “Central Asia: The Soviet Heritage and Future Relations with Russia,” Russian and Euro-Asian Bulletin, July 1997. In 1996, Georgia reported a GNP that had fallen to only 20 percent of its 1989 level. Tajikistan’s GNP has declined to 28–35 percent of 1989 levels. Azerbaijan is reporting GNP at 27–36 percent of 1989 levels. Nonwarring states such as the Kyrgyz Republic and Uzbekistan reported only 20–50 percentage reductions in GNP. Reliable data are not available for either Turkmenistan.
These declines are not unexpected, given the enormous challenges that each state has had to face. They are, however, significant. A period of prolonged impoverishment is likely to have an unfavorable effect on interethnic and interclan relations in these societies because the economic burden is not evenly spread across ethnic groups. The future failure of governments to radically change these economic and social conditions will make a mockery of the (perhaps unrealistic) promises that these governments have made to their citizens based upon the expectation of enormous oil wealth. Oil revenues may placate popular grievances, but are more likely to increase the gap between rich and poor and fuel anger over this relative deprivation.

**DISTRIBUTION OF WEALTH: REALITIES AND EXPECTATIONS**

In the Caspian states, the redistribution of economic wealth and power across ethnic and social groups has been complicated by the promise of oil and gas revenues. If low prices or difficulties with extraction or delivery significantly decrease regional oil revenues, social tension and even revolt against the government is likely to result from unmet and postponed societal expectations. This will be especially true in states, such as Turkmenistan, that have postponed reforms in the expectation of vast energy revenues.

However, dangers exist even if the most optimistic projections for oil revenues are fulfilled. In other developing countries, oil revenues have increased the gap between rich and poor, between the cities and the countryside, and between modernists and traditionalists. This is troublesome since the oil-rich Caspian states have used the promise of future oil revenues to placate their populations and legitimize the political status quo. Azerbaijan represents the most extreme version of this pattern.\(^5\)

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or Kazakhstan. It is highly likely that the scale of underreporting in all of these statistics is large and that there has been a distinct shift to unregistered household economic activities. For statistics on GNP in the region, see Stephen Wheatcroft, “Revisiting the Crisis Zones of Euro-Asia, Part Two: The Crisis Zones in 1997,” *Russian and Euro-Asian Bulletin*, April 1997, pp. 1–4.

Thus, a key question for the future of the energy-rich Caspian states is how long the population will continue to be mollified by promises of future economic prosperity. Conflict may occur if oil revenues are either as high as projected but not distributed to the population in tangible ways, or if they are significantly lower, prompting popular frustration and rage. The potential for conflict will be exacerbated if the population continues to perceive that their government is corrupt or incompetent in the administration of the revenues.6

The states of the south Caucasus face a related internal economic and political challenge. Because of their location on existing or planned oil pipelines (see Figure 2), ethnic groups in these states have been emboldened in their demands for political and economic autonomy. For example, the strategic location of Abkhazia and Karabakh has attracted outside sponsors and increased the states’ military capabilities, giving their separatist struggle more credibility.

REGIONAL SOURCES OF CONFLICT AND INSTABILITY

Weak states, combined with internal threats, could spawn regional conflict and instability as their weaknesses spill over into neighboring states. Porous borders allow the spread of conflict, terrorism, and illicit commerce in drugs. State weakness and emerging power imbalances raise the capacity for large-scale bloodshed, the direct involvement of Russia as a combatant, and the redrawing of territorial boundaries in a way that destabilizes the regional balance of power. The most dramatic potential boundary revisions include a carving up of Tajikistan with northern Tajikistan joining Uzbekistan and southern Tajikistan joining with northern Afghanistan to form a new state; integration of northern Kazakhstan with the Russian Federation; and territorial shifts between Armenia and Azerbaijan if they renew their conflict over Nagorno-Karabakh. There are several potential regional conflicts that would be particularly serious challenges to the balance of power, regional stability, and Western access to regional resources.

The biggest wild card in the region is Uzbekistan, a country that has alternated between a conflictual and cooperative approach in its relationships with its neighbors. Uzbekistan benefits from its geo-
graphic position in its quest to be the dominant regional power. It is the only Central Asian state that shares a border with all of the others. It is also the most populous state in the region. Finally, there are significant Uzbek populations in other Central Asian states. The Uzbek government has declared that it has the duty to protect the rights and safety of these populations. It has further angered and scared its neighbors by making historical claims to parts of Kazakhstan, Kyrgyzstan, Turkmenistan, and Tajikistan, including the fertile Osh region and Fergana Valley.

The Fergana Valley spreads over southern Kyrgyzstan, eastern Uzbekistan, and northern Tajikistan. The valley is one of the most densely populated and agriculturally rich regions in Central Asia. It has been a source of bitter contention among all three states. The borders of the three countries zigzag through this area with no regard for tribal/ethnic borders, leading to strong irredentist feelings. Almost the entire Uzbek population in Kyrgyzstan lives in this valley (552,000 Uzbeks live with 1.2 million Kyrgyz). In addition, the war in Tajikistan has driven refugees and freedom fighters into this area of Kyrgyzstan. With a collapsing economy, frustrations have mounted and resentment between ethnic groups is high.7

Depending upon the fate of the peace accords in Tajikistan, the Uzbek-dominated portion of Tajikistan situated in this valley may seek to secede. Antagonism between Uzbeks and Tajiks was inflamed at the beginning of the civil war in 1992 when Uzbeks living in Tajikistan joined a faction attempting to reinstitute a neo-Soviet regime. Since the conclusion of a cease-fire and coalition agreement, this tension has abated somewhat. However, instability continues to threaten the agreement Russia is active in brokering. Uzbek secession in Tajikistan would increase the pressure on Kyrgyzstan, a country extremely weak in military power and dependent upon the Russians for territorial security. It would also have the effect of reorienting Tajikistan. A truncated Tajik state would be likely to look to Afghanistan to strengthen its weight against Uzbekistan. Finally, the future relationship between Uzbeks and Tajiks is uncertain. Uzbekistan contains within its territory two of the most important Tajik cultural

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centers, Bukara and Samarkand. If Tajikistan becomes a more attractive place to live, Tajiks residing in Uzbekistan may seek the return of these lands to Tajikistan.8

Uzbekistan’s major rival for regional economic and political power is Kazakhstan. Both countries have openly espoused their goal to create a new common Central Asian home. Both countries have also aggressively competed for economic leadership.9 The only real possibility of a large-scale military clash in the region is between these two pivotal states. However, the military capabilities and assets of these two countries are currently mismatched.10 On its own, Kazakhstan is not likely to be able to ensure its security against a much stronger Uzbek military. Kazakhstan’s military capabilities have suffered from a lack of government funds and commitment. By contrast, the strength of the Uzbek military may be attributed to the large stock of both ground and air force equipment, much of it newer-generation systems, that it inherited with the breakup of the Soviet Union. Defense spending has been kept at a reasonably high level and the Ministry of Defense has been energetically engaging in military reform over the last four or five years, which has increased both military morale and performance. However, the military equation is not simply bilateral, since Russia acts as a brake against military confrontation by ensuring Kazakh national security. Kazakhstan, like all of the countries in the region except Uzbekistan and Azerbaijan, relies on Russia to help patrol its borders. Thus, Russia plays an important role in Central Asia as a buffer and source of stability. However, the Russian-Kazakh relationship is also uncertain.

A potent lingering identity conflict in the region is between the two major ethnic groups in Kazakhstan: the ethnic Kazakhs and the Russians. In Kazakhstan, only the three southernmost provinces are


populated principally by Kazaks and other Turkic groups. The ethnic balance in the north is rapidly changing, however, both through conscious government policy and differential population growth rates. Although the numerical impact of these policies has been gradual, their psychological effect has been strong.\textsuperscript{11} These changes make the ethnic Russians feel increasingly threatened economically and politically, causing them to call for Russian diplomatic and possibly military intervention on their behalf.

The tension between Russians and Kazaks within the republic has not yet reached a boiling point. The current Russian government is committed to the rights of Russians in the near abroad but is also sensitive to the need for close commercial and security cooperation with Kazakhstan. Many Russians have simply chosen to emigrate to Russia rather than struggle in Kazakhstan. However, the potential for secession of the north remains. Much depends on the nature of future Russian regimes.

The fragmentation of Kazakhstan, should it occur, would have geopolitical significance. If a Russian-dominated northern Kazakhstan should break away from the rest of the republic, the balance of power in the region would certainly shift dramatically. A rump Kazakh state might invite Uzbek intervention if, freed of the need to balance Russian interests against its desire for relationships with its southern neighbors, it began to play a more radicalized role.\textsuperscript{12} Kazakhstan also might become so weak as to become irrelevant, leaving Uzbekistan as the sole regional Central Asian power.

The promise of oil revenues has regional as well as domestic implications. Significant revenues have the potential to change the strategic calculations among adversaries, such as Azerbaijan and Armenia, tempting Azerbaijan to launch a military challenge to the fragile status quo. The dispute over Nagorno-Karabakh, the Armenian enclave in Azerbaijan, while now dormant, has the potential to destabilize the south Caucasus. Owing to their decisive military victory over Azerbaijan in 1993–1994, the Armenians have been largely successful at achieving their goals. The Republic of Nagorno-Karabakh is de


\textsuperscript{12}Olcott (Spring 1992).
facto independent, although that independence has not formally been recognized by any other country. However, President Aliyev of Azerbaijan is calculating that Armenia will compromise and return the area to Azerbaijani control with the highest level of autonomy to prevent the complete isolation of the country from planned oil pipeline routes and thus economic revenues.\textsuperscript{13}

In the event that no compromise is reached, the conflict has the potential to escalate. The current military in Armenia has benefited from military transfers from Russia (and possibly China) to further its fight for the independence of Nagorno-Karabakh.\textsuperscript{14} Azerbaijan, by contrast, has a weak military but is not dependent upon the presence of Russian troops for its security. However, as oil revenues in Azerbaijan increase, the military may remedy this imbalance by importing weaponry from allies in the Middle East. In anticipation of this possibility, some high-ranking Armenian officials have hinted at the possibility that Armenia might launch a preemptive strike before its military advantage is lost to the Azeris.

The combination of ethnic, economic, security, and leadership challenges outlined above confronts each state in the region with significant threats to its stability and prosperity. Securing the cooperation of other states would lessen the difficulties of coping with these problems, many of which, such as illicit drug trafficking and environmental pollution, are transnational in character. That said, developing habits of multilateral cooperation and institutionalizing mechanisms for such cooperation present a formidable challenge. This is an inherently difficult task, but is especially challenging for weak states. The experience of the Caspian states to date in forging

\textsuperscript{13}Thornhill and Gall (1998), pp. 11–12.

such cooperation is not encouraging, but some modest progress is likely, even in the security field.

As the Commonwealth of Independent States (CIS) has slowly unraveled as an effective vehicle for economic or military-political cooperation in the region, a number of regional associations in Central Asia and the south Caucasus have emerged as alternatives to CIS integration. However, real progress in this direction has been limited by institutional weaknesses in these nascent organizations, rivalries between states and their leaders, the lack of experience in true consultation and coordination, and the proliferation of organizations. As a result, no single forum has yet to emerge to coordinate and cooperate on practical steps to address the spectrum of common challenges.

The proliferation of organizations has contributed to their ineffectiveness. Membership across the organizations is overlapping, making coordination extremely difficult. Lacking experience in compromise and consultation, states in the region have done little to develop formal structures for implementing multilateral initiatives. Furthermore, efforts to foster effective regional cooperation have been hampered by Russian obstructionism. Russia has been particularly adept at exploiting and intensifying existing rivalries between Uzbekistan and Kazakhstan, the two major sources of leadership in Central Asia.\(^\text{15}\)

Regional security cooperation has also been impeded by the ambivalence these states feel toward each other and toward Russia. Although Azerbaijan, Uzbekistan, and Georgia have pulled their militaries out of the CIS, Russia has continued to dominate security arrangements through bilateral treaties with individual states. At the same time, many of the states have concerns that an exclusive reliance on Russia might jeopardize their emerging sovereignty and independence. The most promising, albeit fledgling, alternative security arrangements are the association of Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova, known as GUUAM, and the Central Asian Peacekeeping Battalion (CENTRASBAT). Both of these organizations, however, rely on outside forces to guarantee security. In Central Asia, no state is

\[^{15}\text{Olcott (1996), p. 145.}\]
willing to rely on the security guarantees that the Central Asian states could offer one another. There may even be a lack of will to cooperate. One expert on the region argues that Central Asians remain convinced that their regional security interests would be best protected if Moscow or, even better, a group of disinterested states were to participate in the process of resolving their problems.¹⁶

Not surprisingly, the fear of a Taliban victory in Afghanistan and the spread of Islamic extremism beyond the Afghan border has galvanized the Central Asian states, except Turkmenistan, into intensified consultations on regional security cooperation. It remains to be seen, however, whether such concerns will lead to concrete forms of cooperation. Moreover, the warnings issued by Central Asian leaders to the Taliban have explicitly stressed the inviolability of CIS borders, a not-so-veiled threat that Taliban efforts to spread its brand of Islamic extremism to Central Asia would be met by a firm CIS (read Russian) response.

Indeed, the Central Asian states seem unlikely in the near future to be able to handle serious threats to their stability on their own. Institutions are still tenuous and largely ad hoc. No organization has emerged that could provide an effective substitute for the Russian-dominated CIS. Although the region is likely to rely on Russia as its primary security guarantor, organizations dominated by Russia are not likely to teach these countries how to compromise and consult as equals. There is a role for the West to foster these habits and skills. To the extent that these nascent regional organizations increase multilateral cooperation and security, they reduce the likelihood of either regional hegemony or widespread instability.

THE REGION’S FUTURE AND CHALLENGES FOR THE WEST

The multiple sources of conflict and instability in the Caspian region portend a quagmire if the West assumes responsibilities out of kilter with its strategic interests. Unfortunately, at both the state and regional level, institutional weakness and ineffectual leadership are the norm. The weakness, or even failure, of local states is likely to lead to

internal and cross-border conflict. Existing regional security institutions will not be equipped to respond to these challenges and are likely to call for outside assistance.

However, as will be discussed later, these small-scale conflicts are not likely to be resolved effectively by the application of force by either Western powers or nearby regional actors. NATO and the West should do what they can, within the constraints they face, to shape an environment hospitable to Western interests in the stability, security, and independence of these states. However, given limited Western resources to meet likely challenges to these interests, NATO members will need to prioritize their military, political, and economic assistance to the areas of greatest strategic importance. The preceding analysis suggests that NATO will have the greatest strategic interest in the stability and security of Azerbaijan, Uzbekistan, and Kazakhstan. The second tier of countries would include Georgia and Turkmenistan, although, as discussed later, Georgia may merit greater attention because of the commitment it has shown to true democratic reform.