The reluctance of states to co-operate and the differences in national agendas explain the rationale and limits of regional policy in Central Asia, as Victor-Yves Ghebali highlights. Since many challenges particular to Central Asia relate to the region’s proximity to Afghanistan, OSCE policies have developed within the context of the Bucharest Plan of Action and the Bishkek Program of Action, aimed at preventing and combating terrorism.

Mohammad-Reza Djalili also confirms that national interests and ambitions of consolidating independence are taking priority over efforts aimed at regional co-operation. Economic and political transition have met with mixed reactions: optimists in the Muslim world saw an opportunity for a renaissance of Islam; sceptics feared the possibility of spreading ethnic conflict, border conflicts, interference by outside powers, separatist movements, and Islamic radicalism.

Chinese concerns in Central Asia are of ideological and military nature, and even include suspicions that the USA is attempting to destabilise Xinjian, according to Thierry Kellner. Key strategic motivations for Chinese involvement in Central Asia are security, economic exchange and access to hydrocarbons. China’s relations with Central Asian states are motivated by concerns of rising Uyghur nationalism. Within the Shanghai Co-operation Organisation, Beijing also seeks partnerships in Central Asia. Some see this as an attempted alliance against internal opposition. Whereas economic and energy ambitions do not yet seem to have paid off for China, Central Asia and Xinjian continue to fulfil an important bridging function within Asia, as well as with Europe and the Middle East.

Within the section on nation-building, Shirin Akiner assesses the impact of Islamic resurgence on the state-building processes in Central Asia. Across the region, governments have increasingly tended to control Islamic institutions and

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encounter opposition from Islamic movements. The rise of divergent interpretations of Islam (radical and reformist) is another regional trend. Traditional Islam remains the most widespread and the majority of Central Asians consider Islam to be an ethnic and cultural attribute, rather than a religious one. There is little information on radical Islamist groups like Hezb-i Tahrir and IMU, and it is difficult to say how they will develop.

Government policies more than radical groups have accelerated the politicisation of Islam. This has come about by contesting its legitimacy, by subsuming all kinds of political discontent under ‘Islam’, and by attempting to fashion ‘good Islam’ to serve the needs of the state. These policies are counterproductive and need to be replaced by engaging Islamic communities in dialogue, peace-building and government. External actors should support equitable economic growth, training and conflict prevention projects in order to help reverse negative trends.

How foreign influence can affect the nation-building process is portrayed by Per Normark with regard to the Southern Caucasus. Oil and stability in the Northern Caucasus are the main strategic reasons for Russia’s engagement in the Caucasus. Its policy however remains inconsistent, which, according to Normark, is due to contradictory goals. He illustrates Russia’s ambiguous stance towards Georgia with the examples of the Georgian-Abkhaz conflict, the presence of Russian armed units in Georgia, and the Chechen conflict. The OSCE can help to normalise the relations between Russia and Georgia by providing an objective view, acting as a mediator and, above all, pursuing a regional approach. This requires an understanding of the full range of the Russian-Georgian agenda.

Alexander Rondeli sets out regional specific aspects of the state-building process in the Southern Caucasus, elaborating on the interplay between the Soviet legacy, cultural and identity factors and international influence in the region. States throughout the region turned into a source of benefit and a means to defend the regimes against domestic discontent. Characteristics specific to the Southern Caucasus are widespread patronage and corruption, ethnic nationalism, parochialism, a preference for strong leaders, a lack of democratic tradition, the retreat of the state due to globalisation, democratisation according to Western influence, and a renewed ‘Great Game’. In addition, fears of past chaos helped to consolidate past presidents’ positions. The structural consolidation of the state will be a prerequisite for domestic peace; economic progress is the main factor upon which the state institutions’ legitimacy hinges.

Concerning economic aspects of transition, John Gault and Farian Sabahi discuss financial and trading interests in the Caspian Sea region and their impact on international and regional diplomacy. According to Gault, the existence of the Baku-Tbilisi-Ceyhan pipeline (BTC) cannot be explained by US political pressure alone, and needs to be seen in the context of the rise in the level of oil prices since early 1999. This was eventually a stronger factor in amending initial reservations of western companies. Sabahi, on the other hand, sees the BTC as indicative of a strengthened role of the state vis-à-vis oil companies. Conversely, oil companies