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Ukraine gas dispute -- Has Putin gone nuts? The reassertion of Soviet power

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[*This article illuminates the geopolitical background and implications of the continuing Russia-Ukranian gas dispute whose reverberations extend across Western Europe and beyond. Many market analysts regarded Russian President Vladimir Putin's early January decision to threaten cutting gas supplies to the Ukraine (and by extension, Europe) as insane. The business press filled with claims that Putin was shooting himself in the foot and that he had embarrassed Russia just as it was slated to assume leadership of the G-8 in January (on a platform of energy security, no less!).*

But this article shows that the pundits understood neither Putin nor the role of energy resources in Russia's reemergence as a superpower.
Putin was an obscure KGB official until former President Boris Yeltsin called him to Moscow in 1996 to become one of the "family." Rising to deputy head of Yeltsin's administration in 1997, a year later he headed the Federal Security Service (a successor agency to the KGB). In August of 1999, he was appointed Prime Minister and in December he became Acting President. Putin then won election to the Presidency the following March.

Putin's leadership style remains little understood. Quietly building up a base of power, he uses it with minimal fanfare. He's also a black belt in judo, a martial art in which one redirects the opponent's initiative and energy to one's own advantage.

Russia was largely on the sidelines of global politics in the 1990s, having fallen precipitously from its status as a superpower. The G7 invited it to join the club, of course, in response to market-oriented reforms and Russian acquiescence to the eastward expansion of NATO. Russia appeared largely tamed and toothless, its military rusting away as the economy struggled to find traction after the brutal shock of quickly substituting centralized socialism with the institutions of free-market capitalism. It became difficult to recall the postwar obsession with Soviet power.

But over the past few years, under Putin, the Russian state has taken command of the country's impressive resource endowments. As the value of fossil fuels increases, so does their potential as leverage for building wealth as well as foreign policy clout. This article makes it clear that the Ukraine gas dispute was no mistake. Rather, it was one very visible move in a much larger and complex strategy that includes deflecting the American drive into Central Asia. Whatever one thinks of Putin and his regime, it's certainly moving with a coldly calculated finesse. AD]

It's more useful to assume that the answer is 'no.' Then we must ask what is Russia doing with its gas price policy demands and supply cut-off to Ukraine?

It's clear that the move is one part of a complex series of Russian moves in the ongoing Grand Chess Game. That game is between Washington as sole global superpower, and Russia as a reconstructing nuclear power--one with a vast resource wealth needed by its Eurasian neighbours from China to Germany and beyond. Russia, which holds far the world's largest known reserves of natural gas, is playing its own energy card with Ukraine as the current field of that battle.
The Ukraine drama is clearer if we look at it in the context of a series of very quiet but dramatic moves recently by the Putin government in the realm of energy and national military preparedness.

Part I: The Ukraine issue

Just one year after the Washington-backed Ukrainian President Viktor Yushencko came into office in Kiev, promising to bring Ukraine into NATO and into the EU, Putin and the Russian state-controlled Gazprom natural gas monopoly of Russia, cut gas supplies to Ukraine on January 1. The ostensible reason was that Ukraine refused to pay a 450% price increase for Russian gas demanded by Gazprom for its delivered gas.

By January 4 both countries announced that they had reached a compromise settlement. The terms appear to be a face-save for both sides: Ukraine's state Naftogas, and Russia's Gazprom. Under the Byzantine fine print Ukraine agreed to pay Gazprom's demand of $230 per 1000 cu m for gas. The gas flows to Western Europe were reported back to normal after falling by up to 30% on January 1-2.

Some 75% to 80% of all Russian gas exports to Europe flow via pipeline through Ukraine at present. That fact has become a strategic Achilles Heel for Russia now that Yushchenko's Ukraine is moving towards NATO.

There are two aspects to this peculiar situation which bear further examination. The first is commercial; the second is geopolitical.

Fallacy of 'world market price'

For more than a quarter century the major Western oil companies led by ExxonMobil, ChevronTexaco, BP and Shell, have tried to establish the artificial construct of a 'world market price' for natural gas, similar to the Brent or Dubai or WTI daily price benchmarks. A global market in gas is far more awkward than for oil simply because of the transport problems. Gas needs pipelines or costly LNG terminals and tankers and is thus less mobile. Oil by contrast is controlled by four giant Anglo-American oil majors—ExxonMobil, ChevronTexaco, British Petroleum (BP) and Shell. Those four determine world oil prices. Because it has not been possible to create a controlled global market for natural gas, the gas tends to be pre-sold in contracts typically of 20-25 year term.

What has resulted is a patchwork of different prices, usually in some opaque, undisclosed manner, tied to a formula linking it to crude oil such that, when oil in dollars drops by say, $1, gas would drop along with, but by how much is a proprietary secret of the gas companies and for obvious business reasons—lack of price transparency can hide a multitude of sins. That non-transparent price formula allows companies like Germany's E.ON-Ruhrgas to charge significantly more for its gas to end-users when oil prices

climb above $60, even though most of its gas deliveries from Gazprom are in typically 20 to 25 year fixed price contracts with small variances possible.

The Gazprom Ukraine dispute opened the Pandora's box of confidential gas pricing to the world as Russia revealed Western customers paid some $450 tcm compared with the then $50 tcm Ukraine enjoyed.

Gazprom argued that raising that to $230 or about half the western price, was a fair price. Gazprom is in the process of becoming a global energy giant on a par with BP or ExxonMobil.

Putin also signed a decree on December 28 lifting the limits on foreign ownership of Gazprom, an ostensibly market-oriented move. It made good a promise Putin made two years ago on the controversial arrest of Yukos Oil chairman and political rival, Mikhail Khodorkovsky, namely that he would liberalize the shares of Gazprom, in a matter of 'months not years.'

Gazprom share ownership by foreign interests was previously capped at 20% of total shares, and the Russian government held the remaining and controlling share. Foreign investors were limited to Gazprom London-listed American Depository Receipt shares.

Gazprom shares will now be listed on the Russian stock market later this month. Gazprom has a current market capitalization of $160 billion, dwarfing the next largest Russian stock company, LUKoil with $50 billion capitalization, and Surgotneftegaz with $40 billion.

The new law will also bring Gazprom into the widely followed Morgan Stanley Capital International emerging market index, dramatically shifting weightings there for index tracking investors. That has major implications for international financial portfolio investment.

Gazprom argues it was 'commercially' justified in breaking an August 2004 Gazprom-Naftogaz supplement contract which specified a fixed $50 price until 2009, a price it said then was 'not changeable.' All that being said, the Gazprom-Kremlin move was clearly a hardball Russian geopolitical warning, with an eye to both NATO and upcoming Ukrainian Parliament elections in two months.

Ukraine's political shift

What changed in the 'not changeable' Gazprom-Ukraine contract between August 2004 and January 2006, of course, was not Gazprom but rather the political complexion of Ukraine. The victory of the Washington-financed Yushchenko candidacy for President in December 2004, and his inauguration in early 2005 on a pledge to bring Ukraine into NATO, did not go down well in Moscow, which considers Ukraine historically and strategically a part of ancient Russia—Kiev Rus.

It was also clear to the Kremlin that Yushchenko's call to bring Ukraine into NATO was no mere election gimmick to distance his party from his pro-Moscow electoral opponent.

Yushchenko's wife, Kateryna Chumachenko Yushchenko, a Chicago-born Ukrainian-American, had previously served in the Reagan White House and State and Treasury departments, and did liaison work with Afghani and other anti-Soviet US-sponsored opposition groups, such as Bush neo-conservative Zalmay Khalilzad's Friends of Afghanistan. She also sat on the board of a pro-NATO neo-conservative US think-tank, New Atlantic Initiative, along with Radek Sikorski, Poland's effusively pro-Washington Defense Minister. Sikorski is a close friend and former American Enterprise Institute colleague of Richard Perle and the other neo-con hawks.

3. Kateryna and Victor Yushchenko

The New Atlantic Initiative was created in June 1996 following the Congress of Prague, where more than 300 conservative politicians, scholars, and investors discussed a 'new agenda for transatlantic relations.' The 'new agenda' they promoted was quite simply to encircle Russia and render it politically impotent by bringing the former Soviet satellite states into NATO and into a US-defined 'free market.'

The New Atlantic Initiative has headquarters in the offices of the neo-conservative base of operations, the American Enterprise Institute (AEI) in Washington, DC. There, Richard Perle, his co-author David Frum, Michael Ledeen, Lynne (wife of Dick) Cheney and Irving Kristol are all based. A more hard-core nest of neo-conservative hawks would be hard to find on that side of the Atlantic.

The New Atlantic Initiative openly states it was set up to bring the countries of the former Soviet bloc into NATO and the European Union. Its original 'patrons' were Václav Havel, Margaret Thatcher, Helmut Schmidt, Leszek Balcerowicz, Henry Kissinger, and Bechtel's George Schultz, Secretary of State under Ronald Reagan. Its executive director in 1996 was current Polish Defense Minister, Radek Sikorski.

Kissinger at that time chaired the NAI International Advisory Board, which was filled with neo-conservatives, including the authors of the Project on the New American Century (PNAC) people (the group of hawks calling for 'regime change' in Iraq already back in September 2000).

The NAI board included PNAC author and former LockheedMartin executive, Bruce Jackson, now of the Project for Transitional Democracies. Also former Pentagon adviser Richard Perle; Michael Ledeen, one of the close neo-con advisers to Karl Rove; neo-con publisher William Kristol; now UN Ambassador and neo-conservative, John Bolton; Don Rumsfeld; Deputy State Department Secretary Robert Zoellick.

The fact Yushchenko immediately opened oil pipeline talks in May 2005 with Chevron, as a Polish-oriented counter to the Russian pipeline Brody route, was also not lost on Moscow. Poland, a new NATO as well as EU member, is firmly in the pro-Washington camp, with its Defense Minister, Radek Sikorski, a Washington-trained neo-conservative hawk.

As viewed from the eyes of a Kremlin President, Russia was being encircled by pro-NATO former satellite states. Not only that, but with neo-conservative assets in the Presidency of Ukraine and the Defense Ministry of Poland, the encirclement was becoming

potentially quite threatening to vital Russian national security interests as seen from the Kremlin. Poland is now in NATO, and Ukraine appears to be well on the way.

The NATO encirclement of the Russian Federation, as we have earlier detailed, involved a series of so-called 'Color Revolutions.' In Georgia the US-educated and backed lawyer Mikhail Saakashvili replaced the old KGB survivor, Edouard Shevardnadze. Georgia was a key strategic piece for the route of the Baku-Tbilisi-Ceyhan oil pipeline from the Caspian, a project backed by Washington to get Caspian oil out to the West, independent of Russia. That pipeline was completed in September and is slowly being loaded.

The next major strategic blow to Moscow came with the mentioned Ukrainian 'Orange Revolution' inauguration of Yushchenko in January 2005.
Then in July 2005, came another US-backed 'color revolution,' the 'Tulip' Revolution in Kyrgyzstan in Central Asia, bringing another former Russian territory. Kyrgyzstan had been part of Russia since 1864. It is now being drawn into the US orbit of influence under newly-elected 'Tulip' President, Kurmanbek Bakiev.
And underscoring the desires of Washington for Ukraine, on January 9, 2006, NATO Secretary General Jaap de Hoop Scheffer told reporters in Brussels that he expected to see Ukraine inside NATO by 2008.

Putin reacts

Putin is many things but he can't be accused of being passive in the face of strategic threats to Russian national interests. Moscow moved swiftly last summer to exploit a growing rift between Uzbekistan and Washington, and the result was a ban by Uzbekistan of US military overflights and use of its airbase, a right that had been granted by President Karimov after September 2001 to get Uzbekistan into the 'good' side of the US War on Terror. Relations between Uzbekistan and Moscow today are very close, including in military mutual defense agreements. That rapprochement dealt a major blow to the Washington encirclement on the Eurasian space of both Russia and China.

The next move in this complex geopolitical power chess game will also be in Ukraine where Yushchenko faces parliamentary elections in March. Discontent with his lack of progress on the economy had given him very low poll ratings. Some Russian experts believe Putin is playing hardball with Yushchenko to remind Ukraine voters where their energy security lies, i.e. not with Yushchenko and his Western friends, but with Moscow. Russia regards a NATO Ukraine inside the EU as a 'strategic threat' to put it mildly.

The Gazprom Ukraine 'compromise'

By ending the dispute so swiftly, with a doctored compromise, Putin made his point, and he immediately reassured edgy West European gas importers that Gazprom never intended to cut their gas, only the uppity Ukraine's.

Under the terms of the new deal, Gazprom will sell the gas which Ukraine receives, but in a devious way. It will be sold for $230 per thousand cubic meters (tcm) to an Austrian trading company, Rosukrenergo. Rosukrenergo is in turn owned by Gazprom and the Austrian Raifeissen Investment AG. Then Rosukrenergo simultaneously buys gas from Turkmenistan for $50 a tcm. The two are 'mixed' and Ukraine's Naftogas buys the final gas for a price of $95 tcm. Both sides can claim 'victory.'

4.

Gazprom also agreed to pay a 50% higher Transit Fee to Ukraine for its pipeline route through Ukraine to Europe, a fee of $1.60 instead of $1.06 per tcm per 100 kilometer. As well, both parties will settle in dollars not in the form of gas.

The West was caught in a dilemma in opposing the Gazprom price demand of $230. First, as it was only half the 'market' price, showing some restraint on Gazprom's account. Second, because Western organizations from the WTO to the IMF to the Washington Bush Administration have been demanding Gazprom begin selling its gas in Eastern Europe at 'market' prices and not at a 'subsidized' price. Ukraine is far the largest Eastern Europe gas customer of Gazprom.

Significantly enough, on January 5 US Energy Secretary Sam Bodman told US companies they should not be discouraged from investing into the Russian energy sector merely because of the Ukraine dispute, adding that the dispute had not undermined his confidence that Russia was a good place to invest. 'We continue to encourage our companies to explore opportunities with Russia,' he added. Washington clearly has a larger agenda in the region. So too does Putin. And the two agendas are manifestly divergent.

The swift settlement of the Ukraine gas dispute, as well as the details of the compromise, in which Ukraine de facto pays what it offered before the cut-off, suggests what Yushchenko claimed. It was not an issue of commercial policy. It was and is an issue of power politics--Russian power geopolitics.
Its real focus is how Putin perceives the danger posed by an ever-more-ambitious USA foreign policy in Eurasia and what he can do to contain that threat. It's clear the cut-off was intended to send a sharp signal to Kiev: don't get any cute ideas of joining NATO and becoming a part of a hostile alignment to Russia. Here the US build-up of potential war threat against Iran also figures into the Kremlin calculus.

Part II: Russia's strategic response to Washington

Moscow's military muscle shows

On December 26, as most of the West was distracted in Holiday cheer, the Russian military activated a new fleet of Topol-M

missiles. The new generation weapon is capable of fitting a nuclear warhead, as well as changing trajectory to foil an enemy interception device such as the current generation of US anti-missile defense weapon.

This was no small act of macho bravado. General Nikolai Solovtsov, commander of Russian Missile Forces, simultaneously announced the mobilization of a new battalion for the Topol-M missiles. The missiles have a 1 megaton impact, some 75 times the Hiroshima A-bomb of 1945. Solovtsov is an outspoken critic of the US decision to forge ahead with its anti-missile defense, which is a Rumsfeld priority. The Russian general announced that the Topol-M was, 'capable of piercing any missile defense system,' and was immune to electromagnetic blasts used by current US missile defenses. For military experts that is impressive.
Russia announced it has also formed 20 new nuclear missile units, its largest increase of nuclear spending since the 1962 Cuba Missile Crisis.

London's respected Jane's Defense Review says the new Topol-M missiles could 'evade the ballistic missile defenses currently being fielded in Alaska and California.' That's perhaps an unexpected surprise for Mr. Rumsfeld, the champion of the US defense shield.

The fanfare in Russia around the Topol rollout is the greatest since the Soviet-NATO confrontation around the Soviet SS-18 missiles and the NATO Pershing II's in the 1980's. The recent flood of petrodollars into Moscow Treasury accounts has allowed the military to significantly upgrade defense technology for the first time since the collapse of the Soviet Union in 1990. In November 2005 the Kremlin announced a $ 1.8 billion spending increase for the nuclear missile program. The move was greeted with applause from the Russian population according to reports.

Not irrelevant, Ukraine has now asked to rejoin the Russian nuclear umbrella and be protected by Topol-M missiles along the Volga River.

In September 2005, Russia also successfully tested a submarine-launched version of Topol-M, called Bulava, from the White Sea. That missile successfully hit its target 30 minutes later on Kamchatka on the Far East side of Russia, an extremely impressive feat not lost on Pentagon strategists.

Putin, under strong US protest, has also pushed ahead with his decision to sell anti-aircraft missiles to Iran. Russian technicians are building the Iranian nuclear power complex. The current leaks in the German press as well as Turkish media, whether true or not, of advanced Pentagon preparations for a possible nuclear strike on Iran's nuclear installations, has to be seen in the context of these Russian military advances. This is becoming a very high-stakes game of chess in Eurasia. Zbigniew Brzezinski's map of Eurasia, which he describes as the prime geopolitical threat to US global dominanation, we should recall, includes the oil-rich Middle East in addition to Russia, Central Asia, China and Western Continental Europe.

This renewed Russian military assertion on the advanced nuclear missile front is also accompanied by major other moves to extend Russian energy policy abroad in a clear politically-drawn map. More accurately said, it is a geopolitical map, as the Russian map is about political geography-where the energy resources are and who controls them.

There are three notable new elements of the Putin energy strategy now being undertaken: the start of construction of the Eastern Siberia oil pipeline going to Vladivostock on the Russian Far East coast, the signing with Germany for construction of a new Baltic underwater gas pipeline from Russian territory to Germany, bypassing Ukraine or Poland. Finally, on January 9, Moscow announced Gazprom had concluded an agreement with the Moscow-aligned government of Alexander Lukashenko to explore ways of expanding Russian gas delivery to the European Union via Belarus, again bypassing Ukraine.

Russia's new Gas and Oil Pipeline strategy

These three projects combined with the clear Russian signals that she is not about to abandon its support of the Iran nuclear plant construction, and Russia's unveiling of new missile technologies, indicate Russia is emerging as a serious counterweight to what had been a one-sided move by the United States to divide and control the giant Eurasian landmass. Moscow is now well aware of Washington's strategy of pre-empting any rival nation or group of nations in Eurasia from challenging American hegemony and global 'total spectrum dominance' as the Pentagon likes to call it.

It is useful to recall that it was the ever-bolder sequence of US-led moves. to surround Russia with an iron cordon of US and NATO military bases, which has prompted this Russian reaction.

Moscow is not naïve or inexperienced when it comes to analyzing power relations and geopolitical advantage. In March 2005, Leonid Shebarshin, ex-head of the Soviet Foreign Intelligence Service, who now heads a Russian economic and security consulting company, told the Russian paper, Vremya Novostei, 'On the pretext of fighting international terrorism, the US is trying to establish control over the world's richest oil reserves.' He added, 'The US has usurped the right to attack any part of the globe on the pretext of fighting the international terrorist threat. The fight against that all-mighty ubiquitous myth [Al-Qaeda], deliberately linked to Islam, is of great advantage for the Americans as it targets the oil-rich Muslim regions.'

On December 9, Gazprom began construction of a 744 mile pipeline--the Northern Pipeline or more properly the North European Gas Pipeline (NEGP). It will deliver Russian gas to Germany. The undersea Baltic route will bring Russian gas from Vyborg between Finland and St Petersburg, through international waters, to the northeast German port of Greifswald. That allows Gazprom to bypass an existing pipeline from Russia through Poland. Future spurs from the main line could deliver gas to Sweden, Finland and the UK. British gas output peaked in 2000 and is rapidly declining, such that the UK in 2005 became a net gas importer the first time since the 1970's.

North European Gas Pipeline

The NEGP project is a major $5 billion deal negotiated by then-German Chancellor Gerhard Schroeder and Putin just before Schroeder left office. The deal is with Germany's largest gas company, E.ON-Ruhrgas and BASF's Wintershall AG, Germany's largest oil and gas producer. We now know Schroeder was also offered a lucrative seat on the board of the new project company.

The project immediately sent alarm bells ringing in Washington and by proxy, in Washington-dominated Poland and Ukraine. Poland has called the pipeline a 'conspiracy' against Polish interests, and has appealed to the International Energy Agency to block the deal claiming it robs Poland of gas transit fees (sic!). The IEA chief economist has sided with Poland whatever that is worth.

It seems likely, despite words by Chancellor Merkel to the contrary, that Berlin will continue to back the project. The Latvian press stated on December 12, 'Merkel understands perfectly the importance of the pipeline for her country: for some time Germany will become an exclusive supplier of Russian gas to Europe in a situation where the amount of gas extracted by European companies is steadily decreasing. Under the circumstances, Germany has nothing to gain from involving Poland in the project, because the laying of the pipeline may make Berlin dependent on Warsaw to some extent.'

The second new Russian gas export project is the Belarus enlargement. Belarus is today a de facto, and soon to be de jure, part of a regrouped Russia. The US-led efforts to affect regime change there with a 'color revolution' a la Ukraine, to date have fallen flat. Hours after Russia and Ukraine settled their gas dispute, Gazprom announced it was in talks to build new underground gas storage facilities in Belarus. The two countries already have a common economic zone. The gas would come from Russia's huge Yamal peninsula gas field.

The third pillar of a global independent energy export strategy, one that is clearly intended to outflank the now-obvious Washington encirclement of Russian energy routes, is the Russian oil pipeline from Eastern Siberia to Nakhodka on Russia's Pacific coast, at the Sea of Japan near Vladivistock.

Construction on this pipeline was inaugurated also at the beginning of January.

The pipeline will run more than 2,423 miles and would be able to transfer up to one million barrels a day of oil of a quality similar to that in Abu Dhabi. The full size of the Russian East Siberian field is not yet known and exploratory drilling will be required, but early estimates are over 6 billion barrels. The project could take more than a decade and costs could hit $20 billion owing to the harsh climate conditions.

The project is expected to cost at least $8 billion, and will be largely financed by the Japan Bank for International Co-operation, a state agency, and the large private Japanese banks. Interestingly, during a state visit to Japanese Prime Minister Koizumi last November, Putin refused to give Japan a guarantee that Russia would give a priority to routing the line from Lake Baikal to Nakhodko on the Sea of Japan, rather than building a 'China Route' going instead to Daqing in northeast China from Russia's Skovorodino.

The pipeline, which will be built by Russia's Transneft, will be in two stages. Stage one, just begun, will run from Siberia to Skovorodino, far from the coast to Japan but close to China. That will be completed in 2008. The plans for a second stage were left open during Putin's Tokyo talks, leaving his Japanese hosts more than nervous. Clearly, Putin and Russia's Gazprom are playing their cards close to the chest. The Koizumi government is regarded in Moscow as a Pacific proxy of Washington.

The Institute of Analysis and Prognostication Kazakhstan-USA, a Kazakhstan strategic institute, in a recent roundtable discussion of 'US Policy in Central Asia,' noted the resources reality defining much of US and NATO policy towards Eurasia and the Central Asian republics since the collapse of the Soviet Union 15 years ago: 'The proven world gas reserves as of 1 January, 2001 are 164 trillion cm. It is believed that these reserves will be enough for 62 years. Russia and Iran have 50% of the world's natural gas reserves, while the territory of Russia, Kazakhstan, Turkmenistan, Uzbekistan and Middle East (especially Iran-w.e.) has 70% of the world reserves.' And Russia itself holds fully 32% of those world gas reserves.

The Iran calculus

Little wonder Iran is such an obsession of Washington military strategists these days. Iran has also been regularly purchasing not only nuclear engineering expertise from Moscow. It has also been buying Russian anti-missile defenses.

A Russian company, Antei, which produces anti-aircraft missile systems has developed a new efficient system called Tor M1. The US and other NATO countries have precision weapons and a reliable shield is necessary. The new Russian Tor M1 anti-aircraft missile system is such a shield. According to the Federation of American Scientists, the Tor system is the only system in the world which can detect and identify various targets. It can detect targets at a height ranging from 10 meters to 6 kilometers. Tor is autonomous and has short reaction time. The latest technologies of Russia's defense industry are used in it.
This is the system believed to be already in place in Iran against possible US air-strikes. The stakes are now far higher than the Iraq campaign, where 12 years of blockade and US air control rendered Saddam Hussein's military a farcical opponent for the US Shock and Awe massive March 2003 air assault.

Clearly, as Washington turns up the heat by leaking hints it is preparing a possible nuclear attack on Iran, the potential for backfire against the United States is rapidly becoming colossal. That is not to say that the Bush Administration isn't mad enough to try it. But it is all becoming very problematic for the role of the US in the world.

On January 4, the Kazakhstan Gazeta wrote, 'The situation is getting more and more complicated. On the one hand, Americans do not want Russia to strengthen its influence in Kazakhstan and Central Asia...' They noted that 'the United States committed a serious error in alienating Uzbekistan in recent months. 'The Americans were carrying out a double game with regard to Uzbekistan, but their politicians and analysts got mistaken in their prediction, so the US policy on this country ended in a complete fiasco. The usage of double standards in their approach is far from causing a growth of confidence of our peoples in the United States of America,' the paper concluded. 'The fiasco of the Americans with regard to Uzbekistan, when first a gradual modernisation of the republic had been declared, then, after the Andijan events, the official relationship with Tashkent worsened, showed to all that the American politics and expert estimations were far from being omniscient and always successful. It is a very important moment for the regional countries: all observers noted that the geopolitical situation around Central Asia and Kazakhstan is directly connected to contradictions between big powers.'

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