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'East and West Together: Twenty years after the fall of communism in Europe'

On the 23rd of September, 2009, the Monash University European and EU Centre hosted its annual Young Researchers Conference; 'East and West Together: Twenty years after the fall of communism in Europe'.

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The Lisbon Strategy and Its Implementation in Bulgaria as Applied to the Education Sector

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Abstract
As national economies become increasingly knowledge-based, the education sector is witnessing an evolution of its goals and methods. The European Commission's Lisbon Strategy, initially vaguely aimed at making the European Union's economy more dynamic and competitive when it was first laid out at the March 2000 Lisbon Summit, was redefined in Spring 2005 and now revolves around the concepts of growth and jobs. The Commission recommends investment in the knowledge economy by investing in R&D, innovation, and education and lifelong learning. As Bulgaria has the lowest GDP per capita of all the EU-27 MS, an examination of its current situation regarding the implementation of the Lisbon Strategy can serve as an example of the problems facing the poorer countries of the EU. Problems may not be as obvious or pressing in the richer Member States, but may be more so in the poorer Member States.

As the world slowly evolves into a post-industrial economy and national economies become increasingly knowledge-based, patterns of training and employment are also evolving. Life-long employment within one company, a characteristic of much of the industrial employment structures, is becoming a rarity. As companies downsize and contract out employment, they are increasingly seeking pre-trained individuals who do not need as much on-the-job training. This limits costs and provides the flexible employment contracts companies see as important in a fast-paced and continuously evolving world.

This evolution has implications for the education sector. As modern economies become increasingly reliant on technology to meet all forms of day-to-day operations, educational institutions are witnessing an evolution of their goals and methods. Employers increasingly rely on academic institutions to meet the technology training needs of students at all stages of teaching. The cost of creating an infrastructure that meets the needs of this type of technology-based education means that the availability of government and private funding can draw the line between the best and the worst performing educational institutions.

The European Commission's (COM) Lisbon Strategy, initially vaguely aimed at making the European Union (EU) economy more dynamic and competitive when it was first laid out at the March 2000 Lisbon Summit, was redefined in Spring 2005 and now revolves around the concepts of growth and jobs. Amongst the microeconomic reforms Member States (MS) should undertake, the Commission recommends investment in the knowledge economy by investing in R&D, innovation, education and lifelong learning.[1] This requires investment and concerted government policy, which in turn require a stable government with a long-term vision, and an attractive investment climate. The GDP of the different Member States is vastly different between the lowest and the highest levels. Eurostat, measures EU GDP per capita according to Purchasing Power Standards (PPS), a 'common currency' to objectively measure GDP by eliminating different price levels. The average is set at 100, which means that any country falling above has a higher than average GDP, and *vice versa* for countries falling below 100. To indicate the widely varying GDP levels, for 2008 Luxembourg has the highest GDP per capita at 252.8, whilst Bulgaria has the lowest at 40.1.[2] This is a very significant problem that plays a central role in the ability of different MS to implement the Lisbon Strategy, due to its role in terms of funds available for government policies.

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[1] European Commission, 'Communication from the Commission to the Spring European Council – Integrated Guidelines for Growth and Jobs (2008-2010) including a Commission Recommendation on the Broad Guidelines for the Economic Policies of the Member States and the Community (under Article 99 of the EC Treaty) and a Proposal for a Council Decision on Guidelines for the Employment Policies of the Member States (under Article 128 of the EC Treaty)', *COM(2007) 803 final PART V*, Brussels, 11 December 2007, p. 13.

[2] Eurostat, *GDP per capita in PPS - GDP per capita in Purchasing Power Standards (PPS) (EU-27 = 100)*, available at:
<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsieb010>.

As Bulgaria has the lowest GDP per capita of all the EU-27 MS, an examination of its current situation regarding the implementation of the Lisbon Strategy can serve as an example of the problems facing the poorer countries of the EU. Problems that may not be (immediately) apparent in the MS with higher GDPs may become more pressing in those with lower GDPs per capita. In addition to the lowest EU-27 GDP per capita, Bulgaria has also had a very difficult post-communist experience. Governance and leadership problems, linked to corruption and instability, coupled with hyper inflation in the mid-1990s, means that the country has a more difficult environment in which to implement strong policy changes, and has difficulty attracting Foreign Direct Investment (FDI) because of institutional and financial uncertainty. As the educational component of the Lisbon Strategy relies heavily on investment levels in education as well as a clear purpose and understanding of the changes needed in national educational structures, this paper will present Bulgaria's situation in regards to the Lisbon Strategy's knowledge economy goals.

Post-Industrialism and the Knowledge Economy

The Lisbon Strategy was created in March 2000, at the time of the Dot-Com Bubble. This period was characterised by a high growth in internet-based companies and technologies, and was seen as a revolution in the way business would be conducted.[3] Speculation led to the collapse of this bubble in 2001, but the concept of a Knowledge Economy had entered mainstream discourse,[4] and the European Commission embarked on a course aimed at making the EU economy 'the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment by 2010'.[5] This section will present the concepts of knowledge economy and post-industrialism so as to create the framework for analysing the purpose of the Lisbon Strategy and the problems Bulgaria faces in its implementation as regards the education sector.

Post-industrialism is best understood as an evolution of industrialism rather than a separate theory. Industrialism as understood in the West is closely tied to capitalist economy theory. Stearns defines transition as an evolution in the way of working, as well as the way of thinking – a new framework for society.[6] In this sense, post-industrialism is not a different framework but an evolution within the framework.

Knowledge is considered a central component of post-industrialism, characterised by what Chardin has termed the 'noosphere' – the product of

[3] D. Howcroft, 'After the Goldrush: Deconstructing the Myths of the Dot.Com Market', *Journal of Information Technology*, No. 16, 2001, pp. 195–204.
[4] M. Taylor, and A. Murphy, 'SMEs and E-business', *Journal of Small Business and Enterprise Development*, Vol. 11, No. 3, 2004, pp. 280-289.
[5] European Parliament, Lisbon European Council 23 and 24 March 2000 – Presidency Conclusions', Paragraph 6, available at:
<http://www.europarl.europa.eu/summits/lis1_en.htm>.
[6] P.N. Stearns and D. Bell. 'Is There a Post-Industrial Society?', *Society*, Vol. 11, No. 4, 1974, p. 17.

'people communicating on a global scale.' This communication at the global level is the result of technological advances that have created the 'capacity to work as a unit in real time on a planetary scale.' [7] This has been achieved as computing power has increased and become more affordable.[8] It is also what Bell terms 'the systematic development of research and the creation of new science-based industries.'[9] Huber argues that the amount, growth and significance of knowledge have increased.[10] This knowledge is also increasingly stored in 'extra-genetic records,' as tacit knowledge becomes transcribed through technological advances. The introduction of knowledge transcribed in various forms in all sectors of the economy means that previously low-skilled work now requires information retrieval skills, previously principally a characteristic of medium- and highly-skilled work.

Knowledge has become a commodity, replacing the dominant commodities of industrial economies, which relied predominantly on raw materials. Knowledge is an intangible asset, it is not a scarce good, and is non-rival (i.e. cannot be destroyed in consumption),[11] and there is virtually zero marginal cost for every additional user.[12] Knowledge differs from information in that it is the value added to information. As individuals acquire the skills to transform information into knowledge, they increase the pool of knowledge and increase the value of the information. It is important to distinguish knowledge as a commodity from the tertiary sector of an economy, commonly associated with the services. Technology derived from the knowledge economy is applied across the primary, secondary, and tertiary sectors, and is thus not strictly limited to the services.

While the democratisation of education may have been a step in creating a more equal society, the necessities of the post-industrial economy mean that education is no longer a question of democratic access *per se* but rather a question of economic necessity linked to the commodification of education. The development of capitalism led to the 'old' middle class of farmers, artisans and independent professionals' being replaced by the 'emerging 'new' middle class of managers, technical employees, [and] white-collar workers [...].'[13] As Serge Mallet argues in his Mallet Thesis, the break-down and specialisation of work means that this middle class is still subjected to the principles of Fordism.[14] Herbert Gintis defined this as the 'educated labour.'[15] The post-industrial economy is thus not a project of democratisation of knowledge, but of commodification of knowledge.

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[7] D. Ronfeldt, and J. Arquilla, 'From Cyberspace to the Noosphere: Emergence of the Global Mind', *New Perspectives Quarterly*, Vol. 17, No. 1, 2000, p. 18.
[8] I. Brinkley, *Defining the Knowledge Economy: Knowledge Economy Program Report*, London: The Work Foundation, July 2006, p. 13.
[9] D. Bell, *The Coming of Post-Industrial Society: A Venture in Social Forecasting*, New York: Basic Books, 1973, p. 196.
[10] G.P. Huber, 'The Nature and Design of Post-Industrial Organisations', *Management Science*, Vol. 30, No. 8, 1984, p. 932.
[11] J. Houghton, and P. Sheehan, 'A Primer on the Knowledge Economy', *CSES Working Paper*, No. 18, 2000, p. 13.
[12] T. Clarke, 'The Knowledge Economy', *Education + Training*, Vol. 43, Nos. 4-5, 2001, p. 190.
[13] Bell, op. cit., p. 59.
[14] Mallet, quoted in Bell, op. cit., pp. 149-150.
[15] Bell, op. cit., p. 151.

The digital divide (the differential between those who have acquired the information retrieval skills of the post-industrial economy and those who have not) is a question of integration of workers into the post-industrial economy, not one of democratic access to knowledge. Esping-Andersen points out though that 'life-long opportunities and environment affect a person's ability to accumulate these skills.'[16] Societal differences are thus created by the lack of access to training in post-industrial skills, but the purpose of these skills is not the general goal of an equal society, but a society where all are capable of contributing to economic growth through the application of these skills. Human capital and its improvement thus become central goals in the context of post-industrialism.

While post-industrialism is a theorisation of a general evolution within the framework of industrialism, the Knowledge Economy is a specification of the concept of knowledge within post-industrialism. It is a theorisation of the role for, and policies surrounding, knowledge workers. It thus includes discourses from economics, management theory, futurology, and sociology.[17] As was explained in the context of post-industrialism, knowledge is a commodity, and thus there is a strong push for the term knowledge 'economy' rather than knowledge 'society.'

The knowledge economy and knowledge workers are characterised by 'flexible production technology, a disintegration of corporate hierarchies into networks, and an increasing importance of economic networks – instead of firms – as loci of economic activities.'[18] Universities and research institutions are becoming increasingly important loci of activity in the processing of information for the creation of knowledge. Preparing individuals for this environment creates new responsibilities for childhood learning. As the knowledge economy may require 'soft' skills in addition to highly-skilled knowledge of technological applications, such as leadership, teamwork, lifelong learning, and communication and analytical skills, all within the context of technological applications in work environments,[19] there are strong implications for national education policy goals.

The Lisbon Strategy - Education

As Soete points out, technological changes in information and communication technologies (ICT) have led to structural changes in the economic, social, and organisational framework of society. These include: 'the dramatic reduction in the costs of information and communication processing; [...] the

[16] G. Esping-Andersen, 'Towards the Good Society, Once Again?' in G. Esping-Andersen, et al (eds.), *Why We Need a Welfare State*, Oxford: OUP, 2002, p. 3.
[17] M. Peters, 'National Education Policy Constructions of the 'Knowledge Economy': Towards a Critique', *Journal of Educational Inquiry*, Vol. 2, No. 1, 2001, p. 4.
[18] M. Benner, 'The Scandinavian Challenge: The Future of Advanced Welfare States in the Knowledge Economy', *Acta Sociologica*, Vol. 46, No. 2, 2003, pp. 135-136.
[19] L. Soete, 'The Challenges and the Potential of the Knowledge-Based Economy in a Globalised World' in M.J. Rodrigues (ed.), *New Knowledge Economy in Europe. A Strategy for International Competitiveness and Social Cohesion*, Cheltenham: Edward Elgar Publishing, 2002, p. 38.

technologically-driven 'digital convergence' between communication and computer technology; and [...] the rapid growth in international electronic networking.[20] Despite this, data from 1995 indicates that knowledge investment as a percentage of GDP in the EU-15 was lower than in the USA and Japan, and physical investment between that of the USA (low) and Japan (high). Data from 1997 indicates that ICT expenditures as a percentage of GDP still remained lower than in the USA and Japan. [21] What this appears to indicate is that the Dot-Com Bubble served as a turning point in the minds of EU policy-makers, indicating the need to invest more in knowledge, and especially ICT (which can be considered to have a knock-on effect due to its integration in different sectors of the economy), thus culminating in the Lisbon Strategy.

The Dot-Com Bubble burst after the creation of the Lisbon Strategy, and the program did not take off as had been hoped. In 2005, the European Council renewed the Lisbon Strategy, focussing it more on growth and jobs. This growth should be sustainable, and the focus on employment aimed at creating jobs in the EU, which had been the victim of consistently high unemployment. Data shows that unemployment as a percentage of labour force in the EU[22] has hovered between 7.2 and 9.3 since 2001, whilst it was as low as 4.0 in the 1971-1980 period.[23] As this data excludes eight of the newest MS, which as a general trend are amongst the poorest of the EU MS, this data may even hide higher numbers.

The aim of the renewed Lisbon Strategy is to speed of the pace of reform, thus 'helping Member States to implement sometimes difficult but necessary change to address the challenges [...].'[24] The guidelines outlines by the Commission include both macro-economic, micro-economic, and employment guidelines. Training and education falls within the parameter of micro-economic and employment guidelines, which include:

> 'To increase and improve investment in R&D, in particular by private business.'
> 'To facilitate the spread and effective use of ICT and build a fully inclusive information society.'
> 'Expand and improve investment in human capital.'
> 'Adapt education and training systems in response to new competence requirements.'[25]

[20] Ibid., p. 29.
[21] Ibid., pp. 41-42.
[22] This measure only reflects those included in the labour force, omitting those that are not noted as willing and able to take up employment. It means that they may be because they have dropped out of the labour market for one reason or another, but may wish to return to employment but feel unable to for one reason or another. This means unemployment levels may in reality be higher than official data suggests. Additionally, the data excludes 11 of the EU MS.
[23] European Central Bank, 'Population and the Labour Market in the Euro Area', *Statistical Data Warehouse*, <http://sdw.ecb.europa.eu/reports.do?node=100000244>.
[24] European Commission, *Communication from the Commission to the Spring European Council*, op. cit., p. 3.
[25] Ibid., p. 6.

It is suggested that the public sector promote the efficient allocation of resources to promote growth and employment without compromising economic stability and sustainability. Investment in R&D, human capital, and knowledge are described as falling within this category.[26] It is stated that '[k]nowledge accumulated through investment in R&D, innovation, education and lifelong learning, is a key driver of long-run growth.[27] The interaction of these different elements is the key, as their effect on growth, if considered in isolation, would be minimal. The Commission thus recommends that higher education, research and business cooperate.[28] As a central concept, growth indicates the same framework as was present within industrialism, with the new components of the Knowledge Economy now being targeted. Also, employment and growth are linked, which means that methods for getting individuals into employment are also connected to human capital investment. Education and skills play a role in this context, as teaching people the information retrieval and soft skills necessary to be successful in the Knowledge Economy will allow fuller participation within it. Lifelong learning is cited as a policy that needs to be encouraged as well, due to the continuously evolving technological changes and work patterns that require flexibility and new skills on the part of individuals. Both the Structural Funds and the European Investment Bank are available as sources of investment in education and training in the MS. [29]

Other policy recommendations include increasing inclusion in all levels of education and training policies, significantly reducing the number of early school leavers, and creating efficient lifelong learning strategies. Affordability, accessibility, and official intra-European recognition are important components in achieving these goals.[30]

Applying the Principles of the Knowledge Economy to the Education Sector in Bulgaria

Carnevale and Desrochers point out that '[...] the initial stock of education in individual nations determines growth potential in the new information economy. Countries whose populations have high levels of education are fertile soil for information-based technology.'[31]

This means that countries beginning at a disadvantage may end up lagging behind without ever being able to fill the gap.

Butera identifies the 'ancient traditions' of Western and Eastern Europe in the relationship between theory and practice in Europe as an important hurdle in the development of universities capable of assuming the tasks set before them in the Knowledge Economy. Additionally, they operate in both a global

[26] Ibid., pp. 9-10.
[27] Ibid., p. 13.
[28] Ibid., p. 15.
[29] Ibid., pp. 31-32.
[30] Ibid., p. 32.
[31] A.P. Carnevale, and D.M. Desrochers, 'The Missing Middle: Aligning Education and the Knowledge Economy', *The Journal for Vocational Special Needs Education*, Vol. 25, No. 1, Fall 2002, p. 3.

economy as well as in a differentiated cultural and social local setting.[32] Butera identifies the key elements of world-class universities as follows:

- the ability to generate new knowledge and breakthrough innovations;
- the ability to store, renew, and share knowledge;
- the ability to 'provide services to fit the changing needs of emerging lifelong education';
- the ability to train knowledge workers.

Butera also identifies the need to work in cooperation with private business, government, other institutions, and the community,[33] to create the partnerships needed to achieve the criteria of a world-class university. He also points out that the goals, resources, and institutional setting need to be rethought to achieve these goals in a knowledge economy.[34]

Nikolov argues that the EU as a whole suffers from 'under-investment in human capital, especially in higher education.' The problem of brain-drain of highly qualified researchers to the USA, and the general insufficient number of science and technology graduates (though higher than in the USA), and by extension significantly fewer researchers working in the EU, are identified as serious problems.[35] As regards the new MS, Nikolov points to the problem of 'brain-waste' (when a highly qualified individual works in a low-qualified job), brain drain, loss of human capital (Bulgaria has lost approximately one million citizens to emigration), and internal brain drain ('domestic 'drain' of intellectuals out of academia and science and into other occupations altogether'). Nikolov points out that low salaries are not the sole problem facing the new MS. Problems of investment in infrastructure (including libraries and equipment), as well as a lack of intellectual environments allowing an exchange of ideas and knowledge, and experienced managers to head research teams and apply for funding, are also problems facing the new MS. He recommends focussing on brain gain and brain circulation to improve the educational environment. This would also help build human capital, as it would lay the base for future learning. [36]

In terms of the question of lifelong learning, Dimitrova points out that there are national policies and actions in adult vocational training aimed at providing education and skills to allow individuals to adapt to new skill requirements or re-enter the workforce.[37] Dimitrova argues that productivity levels have not kept pace with other EU MS due to insufficient participation of the labour force and points out that participation in lifelong learning in Bulgaria is very far from the 2010 target of the Lisbon Strategy (in 2005, 1.3% of the population participated in lifelong learning, while the Lisbon goal is

[32] F. Butera, 'Adapting the Pattern of University Organisation to the Needs of the Knowledge Economy', *European Journal of Education*, Vol. 35, No. 4, 2000, p. 403.
[33] Ibid., p. 404.
[34] Ibid., p. 405.
[35] R. Nikolov, 'From eLearning to eUniversity', *International Conference on Computer Systems and Technologies – CompSysTech'08*, p. 5.
[36] Ibid., pp. 6-7.
[37] E. Dimitrova, 'Challenges and Perspectives of the Adult Vocational Training System in Bulgaria', *European Journal of Vocational Training*, Vol. 41, No. 2, 2007, p. 30.

12.5%). As economic growth in the Knowledge Economy requires a highly-skilled and flexible workforce,[38] this is a serious discrepancy with important ramifications. Another problem is that corporate investment in training is not common practice, largely due to the fact that the majority of employers are small companies that do not have the funds available to invest in training, or an understanding of the role formal training plays in improving productivity. Employers are also afraid of investing in their employees, who may then leave to another employer and take the investment with them. This is compounded by a lack of understanding of employment contract clauses to prevent this.[39]

At the national level, Bulgaria also faces the problem of having had to reconstruct its vocational training system following the collapse of communism, which coupled with the economic and political difficulties of the transition period, has prevented it from advancing at the pace required.[40] The training of unemployed individuals has proven to be quite successful, as the training offered is aligned with labour force demand and data from 2005 indicates that 73.8% of individuals found employment following training.[41] Additional problems include the physical location of most training centres, based essentially in Sofia, Plovdiv and Varna – the largest cities.[42] Though this is logical in terms of population numbers, it risks creating a two-tier structure that may further reinforce educational and employment differentials between the cities and the rural areas. In addition to the government facilities, private providers have entered the market. Problems of qualification, consistency and infrastructure have appeared as a consequence.[43] Dimitrova recommends improving the links between education, training, and the labour market, which reiterates a problem already highlighted and points to its central importance at all levels of education and research.[44]

Zarifis also points to the question of lifelong learning in the context of the Lisbon Strategy. He highlights research that identifies local learning centres as being central in delivering the needs of the individual and the community, with knock-on effects in terms of opportunities and further education.[45] As illustrated in Dimitrova's research, the location of educational centres risks creating a two-tier structure; Zarifis' recommendation regarding local centres may be a way of avoiding this, though funding would likely be an issue, as would connections to other centres. It may be interesting to investigate the role of large-scale universities and other research institutions in smaller towns across North America and Western Europe to understand whether this has had an impact on local learning and access, or serves a minority elite population and the local service economy. Zarifis also points to the lowest EU

[38] Ibid., p. 31.
[39] Ibid., pp. 33-34.
[40] Ibid., p. 33.
[41] Ibid., p.. 36.
[42] Ibid., p. 38.
[43] Ibid.
[44] Ibid., p. 40.
[45] G.K. Zarifis, ''Bringing Learning Closer to Home:' The Value and Impact of the Lisbon Strategy for Strengthening the Role of Local Learning Centres and Partnerships in South-Eastern Europe', *International Journal of Lifelong Education*, Vol. 27, No. 6 November-December 2008, p. 642.

lifelong learning participation rate amongst people aged 25-64 in Bulgaria.[46] As Dimitrova pointed out, this presents an impediment to economic growth, and achieving the targets of the Lisbon Strategy.

Writing in 2006, Sgurev and Yusupov highlight the problem of the ten national Bulgarian programs related to innovation that do not focus on education, science, and ICT, as is advanced by the Lisbon Strategy.[47] Further research should indicate what approach is being adopted by the new government of 2009. In addition to this, they argue that private investment is too low as compared to the level of public investment, and that this hampers innovation.[48] As public expenses are a matter of Commission attention in terms of joining the euro zone by achieving stability and low public debt, the Bulgarian government may find it worthwhile to investigate this option to fill the gap. Though private universities, such as the American University in Bulgaria and New Bulgarian University exist, as do several educational establishments from nursery to secondary school, it would be of interest to investigate levels of private investment in large institutions, such as Sofia University.

Nikolov and Ilieva point to the importance of the 'knowledge triangle,' which includes education, research and innovation.[49] This again indicates the importance given to better ties between educational institutions, the other public and private players, and outcomes. In addition to new partnerships in education, other problems facing institutions include: an increased demand for education; the internationalisation of education and research; and the proliferation of places where knowledge is produced.[50] These are all problems that Bulgaria may have difficulty facing, as its resources are smaller than other EU MS with better developed educational investment facilities (both public and private), it has suffered from a general and applied brain drain, and private business is more lucrative than research and academia and thus does not encourage individuals to stay on. All of these elements combined can lead to serious innovation problems and the ability to meet the goals of the Lisbon Strategy.

Bourdeau-Lepage and Kolarova argue that the challenge facing Bulgaria is that it does not have a developed framework for the export of high value-added business services, and that it thus risks 'technological marginalisation.'[51] This is related to the innovation potential of the country, which in turn is related to Nikolov and Ilieva's 'knowledge triangle.' They also argue that human capital alone is not sufficient to achieve the goals of the Knowledge Economy: social capital is also required, in the form of

[46] Ibid., p. 643.
[47] V. Sgurev, and R. Yusupov, 'The Innovation Potential in Bulgaria: State-of-the-Art and Problems', *Problems of Engineering, Cybernetics and Robotics – Bulgarian Academy of Sciences*, No. 57, 2006, p. 109.
[48] Ibid., p. 110.
[49] R. Nikolov, and S. Ilieva, 'Building a Research University Ecosystem: The Case of Software Engineering Education at Sofia University', *ESEC/FSE'07,* 3-7 September 2007, p. 491.
[50] Ibid., p. 493.
[51] L. Bourdeau-Lepage, and D. Kolarova. 'Knowledge Society and Transition Economies: The Bulgarian Challenge', *Romanian Journal of Regional Science*, Vol. 2, No. 2, Winter 2008, p. 55.

institutional context and the character of governance. Social capital is 'the collective dimension of all rules and norms, of the spontaneous social interactions permitting the coordination of actions and the cooperation within groups or between them, in order to reach social cohesion and the pursuit of common goals.'[52] As applied to Bulgaria, the corruption and governance problems are certainly impediments to the creation of social capital. Combined with what Bourdeau-Lepage and Kolarova term 'uncertain human capital,' due to relatively high duration of schooling but a low adult literacy rate indicating low quality levels in education, potential for innovation and growth is likely low. Brain drain also ensures that a large number of the more highly-educated individuals move abroad for better conditions. [53] They also point to the low investment in ICT, in the form of telephone and computer use, and internet access.[54] When combined, low levels of investment in necessary Knowledge Economy infrastructure, the generally low quality of education, and the poor governance and institutional structure, mean that the capacity to implement the recommendations of the Lisbon Strategy are very much hindered. The potential for this to turn around may exist, as before the regime change and the economic and organisational problems that ensued, Bulgaria specialised, amongst other industrial branches, in high technologies in the form of generation mainframes, high-speed matrix processors and parallel systems, software development, system hardware, and digital and analogue PC design areas. The tradition of computer-science education, engineering and mathematics was strong.[55] Perhaps this relatively recent past could serve as a model or a reminder of the country's potential.

In its evaluation of MS progress in implementing the Lisbon Strategy Structural Reforms in 2008, the Commission highlights the continuing problem of weak and inefficient government structures, compounded by corruption that continues to affect the business environment and access to, and quality of, services. Public sector reforms appear rather arbitrary. The analysis, conceptual development and enforcement of policies remains weak, and '[p]olitical recognition of the need to speed up reforms as part of the Lisbon Strategy is fairly recent.' Problems also remain in terms of adult participation in training and R&D performance.[56] The Commission recommends shifting public support to R&D to 'more competitive funding focussed on key priorities.' Little has been done in terms of ICT penetration, a problem highlighted by the researchers presented here.[57] Significantly, the Commission also points out that Bulgaria's educational performance has been declining, and that despite measures taken in terms of quality assurance mechanisms, general performance evaluations, decentralisation of school financing and its linking to performance, and the differentiated pay for

[52] Ibid., pp. 57-58.
[53] Ibid., pp. 63-64.
[54] Ibid., pp. 65-66.
[55] Ibid., pp. 66-67.
[56] European Commission, 'Implementation of the Lisbon Strategy Structural Reforms in the Context of the European Economic Recovery Plan: Annual Country Assessments – A Detailed Overview of Progress Made with the Implementation of the Lisbon Strategy Reforms in Member States in 2008', available at: <http://www.lex.unict.it/eurolabor/en/documentation/com/2009/com(2009)_en.pdf>, pp. 9-10.
[57] Ibid., p. 12.

teachers in addition to teacher training, additional measures need to be taken in curricula changes to meet labour market needs and the completion of the Bulgarian lifelong learning strategy.[58]

Conclusion: Past Potential but a Waning Present

Bulgaria's past success in areas of technological innovation and educational achievements indicates that the human capital potential existed, and could almost certainly be regained. The problems facing the social capital of the country – whether a result or cause of the economic, political, and institutional instability of the post-communist years – plays a detrimental role in the context of achieving the goals of the Lisbon Strategy. Investment in knowledge is low across the EU, but Bulgaria is a particularly acute example of the problem of knowledge investment. As the MS with the lowest GPD of the EU, and a contender for joining the euro zone, the availability of public funds is low. This, in addition to the promotion of closer ties between business, education, and the community, indicates the potential of private investment. On the other hand, private investment has to contend with an unstable institutional environment, where national policies are not necessarily focussed on the priorities of the knowledge economy. Though business parks have been built, and private institutions do exist, these do not in and of themselves respond to the problems highlighted in this research. The promotion of closer ties and sound institutional models are also important. Quality and consistency must be ensured, which is a difficult matter for a country that is still undergoing institutional changes and both realigning its priorities with the Lisbon Strategy while trying to meet the needs of its population. This research shows that the Lisbon Strategy is an important but expensive realignment of priorities in national policies. The capacity of a country such as Bulgaria to meet the goals of the Lisbon Strategy and not fall further behind will certainly play a determining role in the future place of the country in the EU.

[58] Ibid., p. 13.

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A Shifting Sphere? EU engagement with Kazakhstan and what this implies for Russian engagement and influence in Central Asia.

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In the 19th century, Great Britain and Russia were key competitors for territory, resources and influence in Central Asia and Greater Persia. The Great Game (as it was dubbed by Rudyard Kipling in his novel *Kim*), ceased to be of consequence after the destruction wrought by the two World Wars. Britain being solely concerned with its domestic rebuilding and the crumbling of its empire whilst the emergent USSR superpower gained the territories of Central Asia, signifying what appeared to be the end of conflict over Central Asia. History however, has a way of repeating itself and with the fall of Communism and a renewed Western interest in the region following 9/11, Central Asia is once again a key geopolitical concern for the major powers. Kazakhstan and the other Central Asian states, struggling with their new-found statehood find themselves at the centre of key strategic interests for major powers such as China, Russia, the EU and US. These powers, despite having clear alignment of interests in regards to countering the spread of extremism North from Afghanistan as well as countering the associated drug trade, have much less incentive for widespread co-operation in regards to energy and its associated geopolitical considerations.

Having been a key republic within the USSR, Kazakhstan's infrastructure, economy and military were inextricably tied within the Soviet framework, especially to Russia and in conjunction with its vast oil reserves and joint memberships of organisations such as the Shanghai Cooperation Organisation (SCO), the Collective Security Treaty Organisation (CSTO) and the Eurasian Economic Community (EurAsEC), continues to occupy a central component of Russia's 'Near Abroad' interests and strategy.[59] With the major powers having potentially adversarial interests in relation to Kazakh oil, influence becomes a key component in being able to determine the level to which such interests can be realised. Maximising influence then becomes in part about mitigating the influence of other actors. The EU, having a Purchasing Power Parity (PPP) of over 4 times greater than Russia in 2008 has numerous reasons for involving

[59] The Ministry of Foreign Affairs of Russia, 'The Foreign Policy Concept of the Russian Federation,' Moscow, 2008, available at: <http://www.mid.ru/ns-osndoc.nsf/osnddeng>.

itself in the Central Asian region and Kazakhstan in particular.[60] In regards to energy, the interests of the EU do not complement Russian ambitions giving rise to behaviour designed in part to maximise influence and minimise that of the adversary. Therefore by determining the extent to which the EU has formed such a base of soft power in Kazakhstan gives some indication as to the level to which Russian influence has diminished within what is traditionally considered its core sphere of influence.

What this article seeks to demonstrate is that despite increased competition amongst the powers for access to and the ability to route Kazakh oil, there has not been a marked decline in Russian influence in the country. This will be demonstrated in two parts. Firstly, by demonstrating that in the post-Soviet era, Kazakhstan remains inextricably intertwined with its neighbour Russia thereby perpetuating Moscow's influence over Astana. Secondly, will be an illustration of how despite growing economic linkages and diplomatic overtures between the EU and Kazakhstan, political differences have mitigated these gains. After such considerations of the influence that Brussels and Moscow can bring to bear, the article will show that Russian influence has not been substantially reduced by the evolution of EU involvement in Kazakhstan. It is an important note to make at the outset that the involvement of China in the region is gaining markedly for many of the same reasons that the West finds itself in Central Asia and may indeed pose a greater threat to Russian influence in the country and region as a whole. The focus being on the European Union however, it is beyond the scope of this essay to do such a theme justice and indeed provides a subject for further research in itself.

Kazakhstan's Situation

On the 16th December 1991, Kazakhstan became the last former republic of the USSR to proclaim independence, with Nursultan Nazarbayev adopting the presidency of the fledgling country.[61] The new republic is bordered by six countries including Uzbekistan, China and Russia and finds itself in a difficult position due to its geography, being a landlocked country and therefore dependent on its neighbours to gain access to international markets. Stemming from the Russian-dominated Soviet Union, two-thirds of Kazakhstan's population speak Russian with the language also being used as the *lingua franca* of business in the country despite marked success in the promotion of Kazakh as the official language of the state.[62] Similarly the population demographics show that the more industrialised North of the country – that bordering Russia – still maintains a predominantly Russian population, whilst the ethnic Kazakhs are more numerous in the poorer, lower-wage South.[63] Even more importantly, until recently Kazakhs did not

[60] World Bank, World Development Indicators Database, 'Gross Domestic Product, 2008 PPP', available at:
<http://siteresources.worldbank.org/DATASTATISTICS/Resources/GDP_PPP.pdf>.
[61] United States, Central Intelligence Agency, 'The World Factbook: Kazakhstan', available at: <https://www.cia.gov/library/publications/the-world-factbook/geos/kz.html>.
[62] B. Nygren, *The Rebuilding of Greater Russia: Putin's foreign policy towards the CIS countries*, New York: Routledge, 2008, pp. 175.
[63] M. Brill Olcott, 'Kazakhstan' in M. Mesbahi (ed.), *Central Asia and the Caucasus after the Soviet Union*: *Domestic and International Dynamics*, Gainesville: University Press of Florida,

constitute a majority within their own republic, in 2005 only just reaching 53% of the population compared to a 30% Russian population.[64] The shift towards a more Kazakh make-up of the population has accelerated since then, with Nazarbayev quoting figures from the 2009 census in a speech to a joint sitting of the 4th parliament that '...(t)he share of ethnic Kazakhs has grown from 53 to 65% for the decade...'[65] For our purposes these demographics and their changes are important for understanding the level of soft power or influence that Russia can bring to bear.

The pro-Kazakh policies of the government have been a major factor in the decline in the numbers of the ethnic Russian population as they emigrate to the Russian Federation.[66] The promotion of Kazakh as the titular culture did spark concern amongst some political elites in the Russian Federation, but with no serious conflict within the country the Russian government has been careful not to make this an acrimonious issue. Indeed, as time has passed, this issue to become much less important to bilateral relations.[67] With a still substantial ethnic Russian population however, and the Ivanov Doctrine articulating the possible use of force to protect Russian minorities in the CIS, Astana must still take the ethnic composition of the country into serious account.[68] The Russian decision to invade Georgia to protect Russian citizens living in South Ossetia provides an important precedent that must also add to calculations made by Nazarbayev's regime.[69] Although the significant Russian population establishes Russian influence in Kazakhstan, the more effective means by which Russia exerts influence in Kazakhstan is through the economic realities that have evolved from past Soviet practices.

The USSR system of infrastructural development led to the Soviet states having a high level of entanglement and interdependence between their economies. As a consequence of such practices, Kazakhstan and Russia have economies that are highly integrated, this being especially the case in terms of infrastructure, the military-industrial complex and energy transportation networks such as pipelines.[70] The essential nature of the Russian economy to Kazakhstan is exceedingly apparent when it's noted that 90% of Kazakhstan's

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1994, p.119; World Bank Poverty Reduction and Economic Management Unit, Europe and Central Asia Region, 'Kazakhstan: Dimensions of Poverty in Kazakhstan, Volume II: Profile of Living Standards in Kazakhstan in 2002,' Almaty, 2004, available at: <http://siteresources.worldbank.org/INTKAZAKHSTAN/Resources/Poverty_Assessment_Vol2.pdf>, pp.11-12.

[64] M. Brill Olcott, *Kazakhstan: Unfulfilled Promise*, Washington D.C.: Carnegie Endowment for International Peace, 2002, p.174.

[65] N. Nazarbayev, 'Kazakhstans Parliament Opens its 3rd Session,' Government of the Republic of Kazakhstan, available at: <http://en.government.kz/site/news/092009.01>.

[66] Y. Rasumov, 'Central Asian Governments Impose Migration Barriers,' EurAsiaNet.org, available at: <http://www.eurasiane.org/departments/insight/articles/eav102401a.html>.

[67] V. V. Naumkin, 'Russian Policy Toward Kazakhstan' in R. Legvold (ed.), *Thinking Strategically: The Major Powers, Kazakhstan and the Central Asian Nexus,* Cambridge, MA: American Academy of Arts and Sciences, 2003, pp.48-50.

[68] D. Trifonov, 'Ivanov Doctrine Reflects Moscow's Growing Confidence in the CIS and beyond,' Central Asia-Caucasus Analyst, available at: <http://www.cacianalyst.org/?q=node/1657>.

[69] BBC News, 'Russian Tanks Enter South Ossetia,' August 8, 2008, available at: <http://news.bbc.co.uk/2/hi/7548715.stm>.

[70] Olcott, *Kazakhstan Unfulfilled Promise,* op. cit., p.129.

trade within the CIS is with Russia.[71] For instance, Kazakh resources needed for the functioning of civilian nuclear reactors are exported to Russia. Furthermore, as a continuation from past Soviet policy, the major buyer of Kazakh military-industrial products is Russia, whilst the Kazakh military obtains Russian arms and armaments at preferential prices from Russia.[72] These all show the high level of interconnectedness that is involved in the Russian and Kazakh economies and the prime position that Russia's economy occupies.

When such interconnectedness is examined in relation to the oil industry it becomes apparent that Russia has the capacity to wield a significant amount of influence in the current political and economic climates. The Kazakh oil deposits are primarily found in Kazakhstan's territory in the Caspian Sea and Western areas of the country and include the Tengiz and Karachaganak oil fields, both at present capable of producing at 280,000bbl/d and 270,000bbl/d respectively.[73] Sharing an expansive border with Russia to its North and West and lack of direct access to the open sea gives Kazakhstan much fewer options than other oil-exporting countries. As mentioned earlier, Soviet policy was to supply the USSR as a single economic bloc, and as such, the Kazakh oil that had been developed prior to independence was done so in a manner that favoured the exportation of the resources to other areas of the Soviet Union via pipelines through Russian territory. Additionally, Russia itself is highly dependent on its oil and gas reserves to fund its development. Indeed, '(a)ccording to IMF and World Bank estimates, the oil and gas sector generated more than 60 percent of Russia's export revenues (64% in 2007) and accounted for 30 percent of all foreign direct investment (FDI) in the country.[74] As such, Moscow has strong motives to ensure that not only do oil prices remain high but also that Russia maintains a position as a key exporter, even to the detriment of other countries.[75] Such motivations have led to highly competitive behaviour that has to some extent undermined the level of profitability that Kazakh's oil industry could have enjoyed.

As Russia controls a great majority of the pipelines through which Kazakhstan can export its oil to international markets, the Russian Federation is in a strong position to be able to determine the proportions in which Russian and Kazakh oil are sold, this having been the case during the oil price downturn in the mid to late 1990s.[76] Concurrently, as these pipelines travel via Russian territory, Russia is able to charge transit and tanking fees which enable

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[71] R. Legvold, 'Great Power Stakes in Central Asia' in R. Legvold (ed.), *Thinking Strategically: The Major Powers, Kazakhstan, and the Central Asian Nexus*, Cambridge, MA: American Academy of Arts and Sciences, 2003, p. 21.
[72] Ibid.
[73]United States Department of Energy, Energy Information Agency, 'Country Analysis Briefs: Kazakhstan', available at: <http://www.eia.doe.gov/emeu/cabs/Kazakhstan/Oil.html>.
[74] United States Department of Energy, Energy Information Agency, 'Country Analysis Briefs: Russia', available at: <http://www.eia.doe.gov/emeu/cabs/Russia/Background.html>.
[75] S. Zhukov and O. Reznikova, 'Economic Ties between Russia and Kazakhstan: Dynamics, Tendencies and Prospects' in Boris Rumer (ed.), *Central Asia at the end of the Transition*, New York: M.E.Sharpe, Inc., 2005, p. 423.
[76] R. Kandiyoti, 'What price access to the open seas? The geopolitics of oil and gas transmission from the Trans-Caspian Republics', *Central Asian Survey*, Vol. 27, No. 1, March 2008, p.79.

Moscow to ostensibly price Kazakh oil out of the market or interrupt flows if they felt necessary to do so.

There are few real alternatives to the pipelines travelling through Russian territory for the Kazakh government. The two exceptions being Baku-Tbilisi-Ceyhan Pipeline travelling through Azerbaijan, Georgia and Turkey, as well as a pipeline from Atasu in Western Kazakhstan to Alanshakou in Western China with a capacity of up to 100 million tons.[77] What could otherwise also be a viable alternative in transit through Iran is not a possibility because of the continuing sanctioning and isolation of the country by the US and a desire by Astana to not alienate the US.[78] During the oil price collapse, Kazakhstan did actually engage in oil swaps with Iran despite U.S. protests, allowing Kazakh oil to be sold on international markets. Such practices could lead one to argue that the Kazakh regime is not overly concerned with U.S. wishes as other states may be and that such spells a precedent for further Kazakh-Iranian cooperation. However, Kazakh-U.S. relations are much closer than previously and as such the costs for disregarding the strong wishes of the U.S. government are that much greater. When this is taken in combination with a greater military, economic and political U.S. presence in Central Asia, further transit agreements between Kazakhstan and Iran without the U.S.'s explicit agreement seems remote at best.

As such, Russia can take advantage of these political circumstances and use these pricing mechanisms and infrastructure of as significant political levers against other countries, including Kazakhstan. Indeed, past incidents illustrate the willingness of Moscow to use energy as a means of coercion against other countries. Firstly, there have been temporary cessation or reduction of gas supplies to Ukraine (and by extension Europe) in 2006 and 2007 following price and payment disputes.[79] Secondly, there was a disruption of crude oil supplies to Belarus – a close Russian ally, akin to Kazakhstan – following siphoning accusations and payment issues in 2007 as well.[80]

These countries find themselves similarly in the thrall of Russia in regards to energy supplies. A good indicator of the level of influence that Russia has over Kazakhstan in this respect is evident through the Caspian Pipeline Consortium (CPC). Running through not only Kazakh but also Russian territory it enables Russia to charge high transit fees for Kazakh oil. Additionally the CPC is managed by the state-owned Russian Company Transneft, thereby allowing the Russian government inordinate control over the sale of Kazakh oil as well as significant profits.[81]

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[77] I. Bobokulov, 'Central Asia: is there an alternative to regional integration?', *Central Asian Survey*, Vol. 25, No. 1, March-June 2006, p. 82.
[78] Olcott, *Kazakhstan: Unfulfilled Promise*, op. cit., p. 153.
[79] Thomson Reuters, 'Timeline: Gas crises between Russia and Ukraine', January 11, 2009, available at: <http://www.reuters.com/article/GCA-Oil/idUSTRE50A1A720090111>.
[80] S. Lee Myer,, 'Some European oil faces disruption as Russia flow via Belarus is stopped', *New York Times*, (New York), January 9 2007, available at: <http://www.nytimes.com/2007/01/08/business/worldbusiness/08iht-belarus.4141945.html>.
[81]Kandiyoti, op. cit., p.79.

When these abilities of the Russian government are examined in conjunction with the constant high-level political engagement both bilaterally and through multilateral institutions as well as military co-operation – especially in terms of military hardware - entails that Russia, despite its internal difficulties, is still in a position to exercise significant influence over Kazakhstan. Let us now contrast this with that of the EU.

EU relations with Kazakhstan

Prior to the collapse of the Soviet Union, Kazakhstan and the rest of Central Asia were far from occupying a priority position in either the states of Europe or the United States. Even with the fall of Communism, Central Asia failed to resonate within the policy-circles in the West. The members of the EU turned their attention to their immediate neighbours in Eastern Europe and the successor state of the USSR, the Russian Federation. The unique and prime position that Russia occupies with the EU is shown through the conducting separate policies such as the 'Four Common Spaces' as opposed to the European Neighbourhood Policy (ENP) which is part of EU engagement with other non-EU members in Europe. Indeed, many EU governments, including Germany and France have been careful to not damage relations with Moscow over EU engagement in its traditional sphere of influence.[82] Despite this dearth of focus on the newly emerging states in Central Asia, there did arise some marked concern with Kazakhstan in regards to its inheriting a vast number of Soviet nuclear weapons. Diplomatic initiatives from the US allowed for the relinquishing of the weapons and their nuclear components and fostered the establishment of political ties between the US and Kazakhstan however, by and large these activities were muted in contrast to US and EU engagement in other areas.[83]

This lack of attention to Central Asia has shifted however, since the events of 9/11. The subsequent invasion of Afghanistan, on the Southern border of Central Asia and a rise in prominence of the threats of instability that could spread throughout the region, fostered by their porous borders, created a much greater focus on the region by Western governments. The granting of over-flight rights by many countries, including Kazakhstan and Russia as well as basing facilities for NATO forces in Kyrgyzstan, Tajikistan and Uzbekistan promoted political and military engagement with the countries of the region in common cause against the threats posed by extremists and political instability.[84] It should be noted here that as the EU is made up of sovereign states largely unwilling to give up matters such as foreign affairs and defence to the body, there are significant limits as to the level of substantive, concerted political engagement that the EU can direct to Kazakhstan due to divergent

[82] A. Warkotsch, 'The European Union and Democracy Promotion in Bad Neighbourhoods: The Case of Central Asia', *European Foreign Affairs Review* Vol. 11, No. 4, 2006, p.519.
[83] P. Khanna, *The Second World: Empires and Influence in the New Global Order,* New York: Random House, 2008, p. 69.
[84] J. Nichol, *Central Asia: Regional Developments and Implications for U.S. Interests*, Foreign Affairs, Defense and Trade Division, Congressional Research Service, Library of Congress, <http://www.au.af.mil/au/awc/awcgate/crs/ib93108.pdf>.

interests between member-states.[85] The EU's methods of engagement with not only Kazakhstan but with Central Asia as a region are largely linked in with transition towards market economy status as well as the adoption of normative principles such as democracy, human rights and the rule of law.[86] Inherent in this has been greater economic links with the West for countries who progress towards such norms as well as the allure of EU membership for Eastern European countries. Such approaches however, have run into significant obstacle in regions outside Europe. Central Asia remains outside the realms of potential EU membership, and as such one of the key attractions for adopting EU principles and so forth is missing from EU engagement with Kazakhstan. Indeed, programmes for furthering democratic reforms and the like are largely pushed through organisations not directly relating to the EU despite having similar memberships, such as the OSCE.[87] As such, methods of achieving these goals are often ad-hoc and ineffective because of the absence of significant benefits that Nazarbayev's regime would accrue from a substantive move towards protection of human rights and democratic norms. Indeed, criticisms levelled against the incumbent regime by the OSCE regarding a slide towards authoritarianism has not led to reforms and can only be seen to have drawn harsh criticism from Nazarbayev.[88] One could argue that the economic opportunities presented by the EU would be of great significance to Kazakhstan's development that it would encourage a greater move towards democratic norms, thus being especially the case in light of the member states' ever increasing need for secure access to energy resources such as oil. By having its companies operating in what is projected to be one of the greatest oil-exporting countries in the next decade is of great significance to the EU itself as well as its member-states. Having viable alternatives to Russian suppliers such as Transneft and Gazprom is of great value to the European Union as a whole and to individual countries such as Germany. The issue here is despite the opportunities there continue to be major problems in making them viable alternatives to minimise dependence. The infrastructure, routes almost always favour Russians interests and as the member governments do not have controlling or substantial stakes in the private European companies currently operating in Kazakhstan to exert pressure through these private businesses they lack the same influence as Russia can through its state-owned/controlled enterprises. This is not to say that the EU cannot exert any influence into these issues. By allowing Kazakhstan viable alternatives to Russian companies in terms of development and financing contributes towards a slight reduction in Russian abilities to influence the Kazakh government. In addition, aside from private interest in Kazakh oilfields, the EU itself must be given credit for fostering greater regional economic integration and facilitating more of a European presence in both Central Asia as a whole and Kazakhstan through programmes such as

[85] Workotsch, op. cit., pp. 518-519.
[86] C. Williams, 'EU-Central Asia Relations and the New World Order' in P. Anderson and G. Wiessala (eds.), *The European Union and Asia: Reflections and Re-orientations* New York: Rodopi, 2007.
[87] N. MacFarlane, 'European Strategy toward Kazakhstan' in R. Legvold (ed.), *Thinking Strategically*, Cambridge, MA: American Academy of Arts and Sciences, 2003, p. 155.
[88] V- Y. Ghebali, 'OSCE Regional Policy in Central Asia: Rationale and Limits' in F. Sabahi and D. Warner (eds.), *The OSCE and The Multiple Challenges of Transition: The Caucasus and Central Asia*,' Burlington: Ashgate Publishing Company, 2004, pp. 9-10.

TRACECA and INOGATE which both primarily revolve around infrastructure and economic integration projects – including energy – on a regional scale.[89] EU assistance to Kazakhstan directly amounts €94.2 million whilst regionally from 2007 till 2013 €719 million has been earmarked for regional programs.[90]

These significant amounts of EU-sponsored aid and development however, do not compensate for the problems that arise from the push for democratic reforms which Nazarbayev is unwilling to make. As mentioned before the OSCE's condemnation of Kazakhstan's 2001 local elections and its note of a slide towards authoritarianism do not ingratiate the European community with the regime, especially when regional powers China and Russia have no qualms about the lack of democratic institutions in the country.[91] As such, the extent to which the EU's influence as a normative power is checked, severely limiting the level of political influence it can wield in the country. Economically, programmes such as TRACECA which concentrate on infrastructure are not as influential as the cash flows from China or the high-profile American delegations and military presence in the region. In regards to Chinese assistance for instance, in the midst of the current financial crisis, China has given $US10 billion to Kazakhstan to support it against a marked depreciation in the Tenge's value.[92] The withdrawal of such vast monetary sums or the public suspension of high-level dialogue would be potentially more damaging for the regime.[93] As such, it is these countries which have more visible presences in the country that have a greater base of soft power available. Compounding these problems is the Russian securing of a treaty for the construction of the Bourgas-Alexandriopoulous pipeline across the Caspian Sea with the Russian energy giants holding the majority stake.[94] By doing so, Russia has effectively hijacked efforts to move away from pipelines traversing Russian territory to a situation in which a substantial pipeline designed to circumvent Russian territory is now in fact in large part owned and controlled by the Russian energy giants and therefore by extension the major shareholder, the Russian government.

What this shows is that EU efforts to promote its influence in an increasingly strategic area of the world, although managing to do so and making some gains in terms of relative influence in region have not in any real sense led to a diminishment of Russian influence. Indeed, the primacy of the EU's relations with Russia in respect to Central Asia itself serves to act as a brake for a more comprehensive engagement with Kazakhstan in order to ensure the maintenance of friendly relations with Moscow. As such, the influence that the EU can bring to bear is quite strongly constrained.

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[89] MacFarlane, op. cit., p.149.
[90] European Delegation to Kazakhstan, Kyrgyzstan and Tajikistan 'EU Assistance to Kazakhstan,' The European Commission, available at: <http://delkaz.ec.europa.eu/joomla/index.php?option=com_content&task=view&id=45&Itemid=72>.
[91] E. B. Rumer, 'China, Russia and the Balance of Power in Central Asia', *Strategic Forum*, No. 223, 2006, available at: <http://www.ndu.edu/inss/strforum/SF223/SF223.pdf>, p. 6.
[92] Eurasianet.org, 'Kazakhstan: Tenge may drop despite China's $10 billion aid package', available at: <http://www.eurasianet.org/departments/news/articles/eav042009b.shtml>.
[93] MacFarlane, op. cit., p.150.
[94] Kandiyoti, op. cit., p. 82.

Conclusion

Having traditionally been the 'backyard' of Russia with a significant Russian population as well as substantial integration into the infrastructure both Kazakhstan and Russia inherited from the USSR, Astana still maintains very close relations with Moscow. By virtue of this and the control that Moscow maintains over the transit of energy supplies, Russia has the potential to exert a great deal of influence over Kazakhstan if it desires. Despite the inroads that the EU has made into Kazakhstan particularly through the oil industry and development projects such as INOGATE, it has failed to foster a great deal of influence over Astana. Indeed, it appears that Astana may have potentially cultivated more influence over Brussels by virtue of its growing importance as an oil exporter and its ability to court EU governments and corporations without committing to substantive reforms. Entry into the Kazakh market by EU and US companies does provide some measure for influence however it is of much less significance than that enjoyed by the Russian government through the presence of its state-owned energy giants and the assets that they control. Indeed, without a more comprehensive strategy to ensure a greater share of market space by EU and US-based companies, diversification of holdings in the development process and an effective political aspect to EU-Kazakh relations, it is unlikely that current EU engagement will lead to a marked diminishment of Russian influence in Kazakhstan.