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THE CENTRAL ASIA-CAUCASUS ANALYST

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KEY ISSUE: A short 75-word statement of your conclusions about the issue or news event on which the article focuses.

BACKGROUND: 300-450 words of analysis about what has led up to the event or issue and why this issue is critical to the region. Include background information about the views and experiences of the local population.

IMPLICATIONS: 300-450 words of analysis of the ramifications of this event or issue, including where applicable, implications for the local people's future.

CONCLUSIONS: 100-200 words that strongly state your conclusions about the impact of the event or issue.

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Those interested in joining *The Analyst's* pool of authors to contribute articles, field reports, or contacts of potential writers, please send your CV to: <scornell@jhu.edu> and suggest some topics on which you would like to write.

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THE BIRYULEVO RIOTS AND THEIR IMPLICATIONS

Emil Souleimanov and Megan Ouellette

On October 11, word spread through social media about the murder of a 25-year old Russian by a suspect from the Caucasus during a street clash in Moscow's southern periphery, an event that prompted anti-immigrant riots in Moscow accompanied by attacks on foreigners' properties as well as foreigners themselves. The alleged murderer was arrested a few days later by Russian police, yet the scope of the riots and the authorities' subsequent response signaled that much more was behind the incident than a simple, yet tragic, homicide.

BACKGROUND: Importantly, riots hit not only Biryulevo-Zapadnoe, Moscow's industrial suburb, but echoed across the western part of the country. Saratov, Krasnodar, Omsk, Volgograd and Astrakhan as well as other smaller cities experienced a series of massive anti-immigrant demonstrations aimed predominantly at natives of the Caucasus and Central Asia. These demonstrations demanding a review of Russia's immigration policy were often marked by racist and xenophobic slogans; and ensuing physical attacks on individuals of "non-Slavic appearance" in some instances led to violent clashes between the protesters and alleged immigrants as well as between protesters and police forces.

It is believed that millions of immigrants from the South Caucasus and Central Asia have travelled to Russian cities in search of a better life in recent years. These immigrants have taken a variety of jobs, ranging from running small businesses and working as taxi drivers to street cleanup and jobs as laborers in Russia's thriving construction firms. Similarly, internal migration from

Russia's North Caucasus republics to Moscow, Saint Petersburg, and other cities has occurred on a large scale, stirring significant discontent among many ethnic Russians who consider Caucasians in general, and Northeast Caucasians in particular, to be violent, incapable of integration, and lacking proper "cultural behavior".

As a whole, Caucasian and Central Asian immigrants, both legal and illegal, are often accused of stealing jobs from Russians, lowering the wages of the native population, and engaging in criminal activities, particularly drug trafficking, theft, and other crimes. Racist and anti-Muslim arguments have gone hand-in-hand with economic ones, marking a dramatic increase of neo-Nazi parties and movements that draw particularly, though not exclusively, from among soccer hooligans.

According to recent sociological surveys, around 60 percent of respondents regularly identify with the motto "Russia for Russians." Indeed, it was precisely this slogan that some protesters chanted during the upheaval in Biryulevo-



Zapadnoe. In light of the fact that around one-fifth of Russia's population of 143 million people is comprised of members of non-Russian ethnic groups, actual support for this concept among ethnic Russians might be even higher.

IMPLICATIONS: While authorities have done little to impede the dramatically increasing appeal of racism and xenophobia in the country, they have often sought to capitalize on it. In addition, the media have usually been eager to splash incidents of violence perpetrated by Caucasians and Central Asians against ethnic Russians across their front pages. For example, the Biryulevo murderer, who is believed to be Azerbaijani immigrant Orhan Zeinalov, was brought to the Minister of Interior in an army helicopter, escorted by a large group of masked officers from the elite police force, an "honor" hardly bestowed upon any average criminal.

Day-to-day incidents of violence involving ethnic Russian victims have thus routinely been given statewide coverage by the media and authorities, such as the accidental slaying of an ethnic Russian by Dagestani mixed martial artist Rasul Mirzaev in 2012. On the contrary, cases in which the victim is a native of the Caucasus or Central Asia receive virtually no mention in the

media. Similarly, authorities also refrain from making public comments, such as in the cases of Uzbek and Azerbaijani immigrants stabbed to death in Moscow in the days following the murder of the young Russian in Biryulevo. As a case in point, when a Dagestani youth lost his life while saving two teenage girls drowning in the Moscow River a few months ago, the incident received almost no coverage in the country's mainstream media, and neither was the Dagestani given any award posthumously.

Experts both inside and outside Russia have on multiple occasions pointed to the endemic corruption of Russian police and bureaucracy as an obstacle that has prevented immigrants' (both legal and illegal) problems from being solved. Indeed, it is common knowledge that the presence of immigrants on Russian soil has served as a constant and solid source of income for police officers and immigration authorities. Thousands of illegal immigrants, particularly from Central Asian countries, have been used as semi-slave labor by, for instance, construction companies, many of which are owned or co-owned by high-ranking members of local governments both in Moscow and in the regions.

Following the Biryulevo events, authorities have launched a wave of raids on dormitories inhabited by allegedly illegal immigrants, as well as warehouses both in Biryulevo and elsewhere, arresting hundreds of individuals in the immediate aftermath of the murder. Local residents and officials have identified the Pokrovskaya vegetable warehouse as problematic, prompting its closure in the days following the riots.

While closing down the warehouse and instituting checks on the status of immigrants working or shopping there will help to mollify angry local residents and nationalists, such measures hardly offer a long-term solution. Even if the widespread immigration reforms desired by some are implemented, they do not offer a catch-all solution.

Though implementing a visa regime for immigrants from Central Asian and South Caucasian countries may stem the tide of immigration from those countries, it will have no impact on internal migration. North Caucasians, often grouped together with Central Asian and South Caucasians as “outsiders” will still be able to migrate to cities outside their native region. Though the closure of vegetable warehouses and other enterprises typically associated with immigrants will have important symbolic value and may even alleviate certain problems on the local, Biryulevo level, the societal tensions that made the riots in question possible will remain. The fact that one murder, which under different circumstances would likely have gone unnoticed outside of the neighborhood, provoked such a massive, widespread reaction proves that Biryulevo’s problems are Russia’s problems.

CONCLUSIONS: Far from an isolated incident of neighborhood crime, the Biryulevo incident is symptomatic of the increasing appeal of racism, xenophobia and Islamophobia in Russia’s multiethnic and multicultural society. While immigrants from the former Soviet republics of the South Caucasus and Central Asia are now foreigners in Russia, North Caucasians are not. As

Russian citizens, North Caucasians present a unique challenge to those who would seek to assert a particular, exclusively Slavic, conception of Russian identity.

During the 2014 Winter Olympics in Sochi, the North Caucasus will serve as Russia’s face to the world – a scenic backdrop and distraction from the complex socio-economic and political circumstances that often drive the region’s inhabitants out of the mountains and into cities like Moscow. Often treated as outsiders within their own country, North Caucasians are frequently the main target of discontent among majority ethnic Russians, and are considered particularly problematic due to their alleged predisposition to aggressive behavior, bad manners and disrespect towards the “majority population”, which can only partially be explained as a legacy of protracted armed conflicts in the North Caucasus.

The overall result is a serious identity crisis in Russia, splitting the population along regional, ethnic, racial, and religious lines. This has partially helped to draw new recruits into the ranks of radical Islamic insurgents eager to offer Salafi Islam and violent insurgency as an alternative source of identity, and many North Caucasians, particularly Dagestanis, have been recruited into jamaats after spending time in Russian cities. The Biryulevo incident and the protests that followed therefore serve as a painful reminder of the pressing need to address Russian society’s underlying tensions and divisions, a problem that already has severe repercussions for some of the country’s population.

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THE STRATEGIC CONTEXT OF U.S.-AZERBAIJAN RELATIONS AFTER THE PRESIDENTIAL ELECTIONS

Mamuka Tsereteli

On October 9, 2013, Azerbaijan held presidential elections and incumbent president Ilham Aliyev was re-elected for another five year term. The OSCE ODIHR observer mission, as well as the U.S. government, issued critical statements about the conduct of elections by Azerbaijani authorities that created tensions in Azerbaijan's relationships with Western allies. Issues of concern need to be addressed, but they should not disrupt Western engagement and critical support for Azerbaijan's sovereignty against the backdrop of assertive Russian policies to limit the Western presence in the broader Eastern European and Central Eurasian Space.

BACKGROUND: Azerbaijan is a pivotal state for Western interests in the Caucasus and Central Asia. The country is a key supplier of oil to several Mediterranean countries, including Israel, and is soon to become the first Caspian producer to ship natural gas directly to European consumers. Azerbaijan, together with Georgia, represents strategic access to Central Asia, and Baku's port serves as a key logistical hub for transshipments of a variety of cargos to Afghanistan. Azerbaijan is sandwiched between Russia and Iran. Both neighbors understand well the importance of Azerbaijan's location and are seeking to prevent a deeper Western integration of the small Caspian state. While Russia is openly assertive in its relationships with all its neighbors, Iran is more covert and tries to operate below the radar screen.

challenge for Azerbaijan. Nagorno-Karabakh and seven additional regions of Azerbaijan remain under Armenian control. The conflict is a major factor impacting not only Armenian-Azerbaijani relations, but also the security and geopolitical environment of the entire Caucasus region. Russia is an important guarantor of Armenia's security, determining the presence of Russian troops in Armenia and providing Russia with leverage over Armenia on major geopolitical and economic issues, and in turn complicating resolution of the Nagorno-Karabakh conflict.

A new element of Russian pressure emerged relatively recently, on the eve of the EU's Eastern Partnership (EaP) Summit to be held in the Lithuanian capital of Vilnius on

Finally, the unresolved conflict over Nagorno-Karabakh remains a key



November 27-28, 2013. It was expected at the summit that Ukraine would sign an Association Agreement (AA) on Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU. Other EaP participants, Georgia, Armenia and Moldova, were planning to initial the agreement, in anticipation of final ratification by next year. For the last several months, Russian officials are on record expressing their discontent and have threatened economic severe ramifications should such agreements be reached.

Such Russian pressure manifested itself during a meeting between Armenian President Sargsyan and President Putin on September 3 in Moscow, where it was announced that Armenia will join the Customs Union, thus making it very difficult, if not impossible, to move forward with Armenia's plans for an EU Association Agreement, which would include a Deep and Comprehensive Free Trade Agreement that is incompatible with the Customs Union. The nature of Russian pressure is best

illustrated by the fact that Sargsyan had shown no intention to make this move prior to his trip to Moscow, and had by all accounts failed to discuss the matter with anyone prior to his trip, thus taking his entire country by surprise.

IMPLICATIONS: Encouraged by this success with Armenia and by the limited response from Western countries, Russia advanced its tactics on other states, using trade sanctions and other political tools, such as borderization and creeping annexation of Georgian territories occupied by Russian military forces since 2008. Under tremendous pressure, Ukraine announced on November 21 its decision not to sign an agreement and pursue a trilateral Russia-Ukraine-EU trade and economic integration process. This may simply be a tactical retreat, and not yet a strategic defeat of Ukraine's European integration, but it is clear that pressure will mount on every actor in the Russian neighborhood pursuing an independent foreign policy, to join the Customs Union. Azerbaijan is facing very serious challenges in this regard too.

In December 2012, Secretary Clinton delivered one of her last speeches as Secretary of State and mentioned the imminent threat of Russia's undue influence in the region. "There is a move to re-Sovietize the region," she stated. "It's not going to be called that. It's going to be called a customs union; it will be called Eurasian Union and

all of that. But let's make no mistake about it. We know what the goal is and we are trying to figure out effective ways to slow down or prevent it." The current membership in the Customs Union includes Russia, Kazakhstan, and Belarus, and Russia's plan is to significantly increase membership in the near future. Azerbaijan will be a major target.

This multilevel pressure creates a major security challenge for Azerbaijan. Against the backdrop of this complicated environment, and having in mind that there was no real challenge to the incumbent president, the conduct of elections on November 9 should not obscure the very real interests that America has in Azerbaijan. Tensions between the U.S. and Azerbaijan will damage the interests of both countries and could in the context of other Russian actions substantially weaken and even reverse the West's strategic gains in the Caucasus and Central Asia, reached over the last two decades.

Azerbaijan is at the center of several strategic projects of significant importance to U.S. national interests and their implementation should not be compromised. A primary such interest is logistical support for the withdrawal of U.S. troops and equipment from Afghanistan in 2014 and beyond, in which Baku's sea and air ports, and Azerbaijani as well as Georgian railways will have a very important role to play. The second strategic project is the

implementation of the Southern Gas Corridor that will supply natural gas to U.S. allies in Europe via a complex set of pipelines stretched from offshore Caspian fields to the Italian market via Georgia, Turkey, Greece, and Albania, thus supporting energy and economic security for all transit countries. In addition, Azerbaijan is a secular Muslim state in a difficult neighborhood, a property that deserves to be safeguarded.

In the final analysis, there is too often a perceived choice between strategic interests and the support for democracy. This is a false choice. In Azerbaijan, and the broader region, the ineffectual nature of western democracy promotion is directly related to the West's perceived disengagement from the security concerns of the South Caucasus. Only two years ago, Washington allowed the post of U.S. Ambassador remain vacant for close to a year; and only last year, the post of American co-chair to the Minsk Group, tasked to resolve the Nagorno-Karabakh conflict – Azerbaijan's deepest national concern – was similarly left vacant. To put it simply: if America wants to influence Azerbaijan's domestic politics in the right direction, the first thing it should do is to engage in the security issues of the region, return to its earlier policies of actively supporting the sovereignty and independence of the region's countries, and

CONCLUSIONS: In order to perform its important regional

functions, and to maintain its sovereignty under growing pressure, Azerbaijan needs strong political support. High level political engagement is critical for this part of the world. President Putin understands this and frequently meets face to face with the regional leaders. He personally visited Baku on August 13 and brought with him several high level officials to demonstrate Azerbaijan's significance for Russian policies. The case of Central Asia proves that China's leaders also understand the importance of high level personal engagement. The U.S. has too much on its plate, and no one expects frequent presidential trips to the

region. However, visits of the Secretary of State are essential for the appropriate level of engagement to address all the issues of concern, including democratic and civil society development in the context of a broader commitment to the security of the Azerbaijani state. These issues cannot be separated in the highly tense security environment surrounding Azerbaijan.

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KAZAKHSTAN INCREASINGLY CONCERNED OVER EURASIAN ECONOMIC UNION

Stephen Blank

Kazakhstan joined the Customs Union with Belarus and Russia in 2010 and by 2012, it had evolved into a single Eurasian Economic Space known also as EurAsEc. The economic union is Putin's principal foreign policy goal and Ukraine in the West and Kazakhstan in the East are particularly important to the success of this enterprise. Yet, while Ukraine was poised to instead sign a trade agreement with the EU at the Eastern Partnership summit in Vilnius on November 28-29, it has stopped preparing for that signing ceremony, evidently succumbing to Russian pressure. Meanwhile, Kazakhstan has now registered increasingly vocal complaints about the direction EurAsEc is taking.

BACKGROUND: These complaints truly represent a serious challenge to EurAsEc. Indeed, Nazarbayev originated the idea and program of Eurasian integration and has steadfastly promoted it throughout his tenure as president of Kazakhstan since 1991. If the sources of Kazakhstan's dissatisfaction cannot be dealt with, the entire project becomes fundamentally problematic. Several issues lie at the heart of Nazarbayev's dissatisfaction, which he publicly expressed at the recent Minsk conference of the heads of state of the Supreme Eurasian Economic Council of EurAsEc.

Even before that meeting, he had made clear publicly that he saw no harm in Ukraine's signing an Association Agreement or Deep and Comprehensive Free Trade Agreement with the EU. Although this was a major shot across Russia's bow, it was not unexpected as Nazarbayev, like any

Central Asian leader, cannot explicitly or implicitly accept Russia-imposed limitations to any post-Soviet state's sovereignty in foreign and economic policy. Nazarbayev also used the Minsk conference to warn that Kazakhstan's growing trade deficit with Russia and Belarus was "very dangerous" for Kazakhstan. He has advised governors of regions bordering Russia to increase exports, but that is unlikely to occur.

Nazarbayev proceeded to criticize as well the work of the Eurasian Economic Commission, the supreme administrative body of EurAsEc, whose composition is supposed to be made up of independent functionaries acting as agents of the Commission, not individual governments. Nazarbayev complained that the Commission's work has become excessively politicized, in other words pro-Russian, since Russia furnishes the largest number of officials to the Commission. He accused

commissioners of embezzling funds and wasting opportunities to enhance genuine integration; of sending out documents for approval a day before the vote on them is supposed to occur; and of Russian members of the commission participating in Russian governmental meetings and receiving relevant instructions while they are not accountable to any of the other governments in line with past agreements. Nazarbayev called for abolishing the Eurasian Economic Commission and preserving the Community, albeit in a reformed version.

Lastly he warned against the hasty admission of new members, e.g. Armenia and Ukraine, in a clear warning against Russian pressure on these states. His remarks also made clear that he suspected Russia's motives for this expansion of being geopolitical rather than economic.

None of these critiques of the project, including his remarks about excessive trade barriers e.g. between Russia and Belarus, could please Moscow. But Putin's response was equivocal because in the run-up to the EU summit at Vilnius, Moscow cannot under any circumstances afford another imbroglio with a key member of the Customs Union over this program.

IMPLICATIONS: None of Nazarbayev's criticisms should come as a surprise. If this had not been evident before, the pressure on Armenia, Moldova, and Ukraine as well as on Kyrgyzstan to join the Customs

Union and the nature of Russia's threats against them indicate the fundamentally geopolitical motivation behind this project. As former Secretary of State Clinton warned, it amounts to a re-Sovietization program and a way for Putin to brand himself as a contemporary "gatherer of Russian lands."

Neither should we be surprised that the Commission works more as an instrument of Moscow than as an independent objective body of experts and officials. Despite all the Russian talk of modeling the Customs Union after the EU and its European Commission, the Eurasian Commission clearly functions more like an arm of the Soviet or Tsarist state in attempting to coordinate members' economies for Russia's benefit.

Here we should remember that a customs union can either form a union of more or less equal states, which is what the European Coal and Steel community and the subsequent Treaty of Rome provided for. Alternatively, they can function as did the nineteenth century German Zollverein (Customs Union) that provided Prussia with a crucial lever by which to effectuate Germany's economic integration around it. It is very clear in this context that Putin's Eurasian project, the Customs Union and Single Economic space, function according to the latter model, not the former.

Any customs union is by definition an organization diverting members' trade with the outside world to intra-union channels and this project is no

different. To be sure, there are benefits to the members that no doubt Kazakhstan counted on. As a Deloitte study pointed out, "Since creation it has already brought additional benefits for trading partners by insuring the free circulation of goods between the Customs Union countries and providing traders and investors with a larger economic area to operate in and a more attractive market for potential investors."

On the other hand, almost all studies have shown that the actual trade benefits for Kazakhstan have been modest at best as trade is diverted from either better quality European products or more affordable Chinese goods to Russian goods that are either inferior in quality or more expensive than the alternatives. The same holds true for Kyrgyzstan. Likewise, apart from the Russian studies cited by Sergei Glazyev, Putin's point man on threatening Ukraine and an exemplar of neo-Soviet economics, [as Anders Åslund has shown, most studies](#) show Ukraine not benefiting from membership in the Customs Union and gaining much more from agreement with the EU.

Neither is Kazakhstan's trade deficit with Russia likely to diminish, as Russia's economic stagnation will probably prompt it to export more to its neighbors even as its imports from them decline. Furthermore, if the Commission is functioning as an arm of the Russian government, it will no doubt find ways to impose protectionist rules on imports from other members to protect Russia from

cheaper goods.

As the Vilnius summit approached, immense pressure was brought to bear upon Ukraine and will likely continue afterwards, for Moscow is determined to negate Ukraine's previous freedom of maneuver. And even if Ukraine had signed with the EU, this would only have been the beginning of implementation, the really decisive aspect of this process. We can expect Moscow to continue behaving as a trade bully and a monopolist, not only towards Ukraine. Putin's concurrent refusal to reform the Russian economy also cannot but have negative repercussions for Kazakhstan's efforts to rectify this asymmetric trade balance. It is not clear what Kazakhstan will do as it obviously is wary of too close an embrace of both Moscow and Beijing.

But in the meantime, the inherent limitations of Putin's grand design are already apparent and Russia's increasingly noncompetitive economy cannot be the engine of growth, especially when its own officials are embezzling the Commission's funds and infecting all of its projects with the endemic corruption of the Russian Federation. Obviously it is not yet possible to discern how the Customs Union and associated institutions will evolve, if they can evolve at all, and how this will affect all of the members, bystanders and interested participants like China. Yet, it is clear that membership in this Union is already proving to be a sub-optimal choice from both the economic and political standpoints, and that tensions within it

are likely to grow rather than to diminish in the foreseeable future, especially as Kazakhstan if not other members join the World Trade Organization (WTO).

CONCLUSIONS: Ultimately, the tensions reflect the fact that these governments cannot conceive of economic issues other than in a geopolitically dominant light and subordinate rational economic considerations in policymaking to the exigencies of short-term political gains and corruption. As long as Russia believes it has a privileged sphere of influence in the former Soviet zone, it will seek to bend economic programs to political imperatives as has been the basic character of its energy and

economic policies under Putin. But such decisions invariably end up producing economically sub-optimal decisions and distortions that, in turn, make it harder to achieve the political goals that were originally the driving force behind those decisions. The Customs Union was supposed to be a vehicle for promoting interstate harmony. It is now increasingly clear that it has become the opposite and it is by no means clear whether it can reverse that direction.

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THE TURKMENISTAN-AFGHANISTAN-TAJIKISTAN RAILROAD PROJECT: THE PROSPECTS OF THE NEW SILK ROAD

Oleg Salimov

The challenges of economic development and regional integration in Central Asia have given rise to a number of projects in various spheres. Among these, the “Turkmenistan-Afghanistan-Tajikistan” railroad is directly aimed at stimulating the participating countries’ economies through the creation of a better transportation system for easy access to new markets. The project’s goal is to expand regional infrastructure, connect the landlocked countries with seaways, and eventually link Eurasian and Southeast Asian markets. The ability of the participants to successfully finalize construction of the railroad, provide security, and incite an interest from other countries will determine whether this project can mark the beginning of a new Silk Road.

BACKGROUND: The construction of the railroad officially started on June 5, 2013, in Turkmenistan. The expected total length of the railroad is projected to reach 500 kilometers or longer. The three versions of the project envision around 90 kilometers of railroad in southern Turkmenistan, between 230 and 350 kilometers in northern Afghanistan, and between 50 and 160 kilometers in southern Tajikistan, at cost estimates starting at US\$ 400 million. The project is developed as part of the Central Asia Regional Cooperation Program primarily financed by the Asian Development Bank, with completion expected in 2015.

The railroad echoes the strategy for regional development through a network of highways, railroads, and energy-supply lines envisioned by the U.S. in its “New Silk Road Strategy” from 2011. However, the U.S. has sustained criticism for its passivity in

implementing its own strategy and for relying on investments from parties immediately affected by the outcome. Although ambitious, the strategy has not proven sufficient to address the challenges involved, in Central Asia and beyond, a problem compounded by reluctance on part of the U.S. to get deeply involved in the region beyond Afghanistan.

At least two of the participating countries are in desperate need of a better transportation system within the region. Afghanistan and Tajikistan are both economically depressed and largely isolated from world markets due to their landlocked geography and lack of interstate roads. Tajikistan's transportation infrastructure is mostly oriented northwards and depends greatly on Uzbekistan, which frequently restricts Tajik transit traffic. In Afghanistan, due to its long lasting turmoil, most of the transporting

infrastructure is completely destroyed or in poor condition.

Tajikistan's frequent disputes with Uzbekistan over land and water have led Tashkent to routinely disrupt or halt all transit traffic to and from Tajikistan. This limits Tajikistan's access to gasoline, heating oil, consumer goods, and food products, which it imports from Russia. Tashkent also prevents Tajikistan from exporting its own main products: cotton and aluminum. These constraints not only hurt Tajikistan's economic development but also create humanitarian dangers in the country.

Afghanistan shares long borders with Turkmenistan and Tajikistan (750 and 1,300 kilometers respectively) but has never had strong transport connections with them. Currently, Afghanistan and Tajikistan are reinforcing their cooperation in counterterrorism, social protection, energy, border security, and economy. According to Afghani experts, the trade between the two countries grew to US\$ 130 million in the last ten years. In 2010, the European Trade Committee estimated the value of Afghanistan's trade with Tajikistan to 69.6 million Euros and its trade with Turkmenistan to 163.1 million Euros. The initiated trans-regional railroad project is likely to increase these numbers.

According to Turkmenistan's official media, it is one of the few countries maintaining continuous economic cooperation with Afghanistan in the last 20 years due to its policy of "positive neutrality." In its cooperation

with Afghanistan, Turkmenistan stresses energy supply and the development of transportation connectivity. Having recently started construction of its part of the railroad, Turkmenistan considers the project to be highly lucrative - in addition to its existing access northward and westward via the Caspian Sea; the railroad will provide southward connections.

IMPLICATIONS: All three participants have significant stakes in the project's success. It promises access to new markets for Turkmenistan, an opportunity for Tajikistan to circumvent the transportation constraints imposed by Uzbekistan, and a means for Afghanistan to break out of its isolation and integrate with the Central Asian region. There are also economic and political reasons for extra-regional actors to endorse the project. For example, it will provide South Asian countries with a shortcut to the Caspian and the region's oil and gas resources and is in line with the U.S. political agenda for reducing Russia's influence in Central Asia, not least through alternative transportation networks.

However, the railroad also gives rise to several risks. One is the spread of drug trafficking from Afghanistan. Another is the continuing insurgency in Afghanistan and attacks on targets affiliated with the U.S. or NATO. The recent U.S.-Afghanistan security agreement stipulates U.S. training and funding of Afghan forces and a U.S. presence of about 8,000 troops until

2024. The question arises whether Afghan forces and the remaining U.S. military contingent will be able to provide the security needed for the railroad's completion and operation.

Tajikistan relies heavily on exploiting its water resources in stimulating the economy. The railway project is crucial for Tajikistan as it will allow for completion of the Rogun and Sangtuda hydropower plants, which are in part postponed due to the logistical difficulties imposed by Uzbekistan. Still, Tajikistan can be considered the weakest link in the chain and the most likely drop-out of the project. Although Tajikistan is actively seeking to bypass Uzbekistan, Azhdar Kurtov from the Russian Institute of Strategic Research believes that the country is unlikely to complete the project. He considers the railroad construction as a pre-election move by President Rakhmon and that building a railroad in the high-mountain terrain of southern Tajikistan is unreasonably challenging and expensive.

In addition, Tajikistan's geographic location is not favorable to the project's long-term goals. The railroad from the Caspian region to South Asia would go south of the Tajik border, making Tajikistan an adjunct point. Simultaneously, the Pamir mountain range would prevent Tajikistan from extending the railroad into China, leaving the country cut off from the main transport routes. None of Tajikistan's previously announced railway projects were actually realized, mostly due to a lack of financing.

Turkmenistan, the initiator of the project, will likely become the most prominent beneficiary of the railroad regardless of the outcome. First, the projected railroad connects the southern part of Turkmenistan with the rest of the country. Second, Turkmenistan has maintained economic relations with Afghanistan regardless of the political situation and is expected to continue them in the future. Third, the South Asian markets are not the only but an additional source of income for Turkmenistan. While Afghanistan is considered to be the crossroads of Asia, it still depends on other countries to use its territory for transit purposes. Therefore, as one of the prerequisites, Afghanistan's ability to provide secure transit can determine its future economic development.

The railroad could have an ambiguous effect on the interests of other political players in the region. The potential for Afghanistan to become more self-sufficient and reduced Russian dominance in Central Asia may present appealing prospects in a U.S. perspective. However, the economic penetration of Iran and China into the region could be considered a counterproductive side effect. At the same time, China seeks persistently to develop its eastern regions and easy access to the oil resources and markets of the Caspian and Gulf countries would be a conceivable breakthrough in this regard.

CONCLUSIONS: While the railway project holds considerable prospects for economic development in Central

Asia, it is still marked by several uncertainties. It is understood that the projected railroad could end Afghanistan's economic isolation, alleviate Tajikistan's transportation predicament, increase regional trade, and provide wider access to Turkmen gas resources. At the same time, Afghanistan's instability and its upcoming transition to autonomous governance constitutes a challenge to the security of the construction as well as the later operation of the railroad. Also, Tajikistan could abruptly

withdraw from the project for various reasons. The reaction to the project from other interested countries such as the U.S., Russia, China, and others as well as the leverage they will apply are yet to be seen.

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AZERBAIJAN'S PRESIDENT APPOINTS NEW MINISTER OF DEFENSE

Mina Muradova

The appointment of a new Minister of Defense in Azerbaijan is considered to be a surprising decision of newly re-elected President Ilham Aliyev, causing speculations over his reasons for changing one of the veteran ministers in the cabinet. It has been suggested that the decision to replace Safar Abiyev with Zakir Hasanov, Deputy Interior Minister and Commander of Internal Troops for the last ten years, could signal that Baku is getting ready to move from military rhetoric to action in retaking the territories occupied during the conflict with Armenia over Nagorno-Karabakh. Senior Azerbaijani officials have warned repeatedly that unless a political settlement is reached regarding Karabakh, a "military solution" is the only alternative.

Armenian analysts have also expressed concerns over what Abiyev's replacement will mean for future negotiations over Nagorno-Karabakh. Yerevan-based analyst Richard Giragosian stated that "... with the new Azerbaijani Defense Minister, the risk of war over Karabakh has just increased three-fold, as this move may signal the start of real defense reform and adoption of a serious offensive posture, as well as a possible end to corruption within the Azerbaijani Ministry of Defense."

Rasim Musabeyov, a member of Azerbaijan's parliament, believes that

no military action in Nagorno-Karabakh should be expected until at least 2015, as Azerbaijan is preparing to host the 2015 European Games. He said the replacement of the Defense Minister was no surprise, due to the problem of "non-combat deaths among soldiers in peace time," and the public indignation caused by the growing government spending on the army. Musabeyov asserted that the President aims to "strengthen and improve this sector" by the new appointment, and described the new minister as an "experienced commander who could establish a strong discipline and keep non-combat losses in his internal troops on the lowest level."

Former Defense Minister Abiyev held his post for 18 years and was frequently blamed for corruption in the armed forces. Regardless of the motivation behind the decision, the replacement was largely received positively by the Azerbaijani public. A series of rallies have been held this year in central Baku to raise awareness about the deaths of young army conscripts and demand that they be investigated.

According to Doktrina, a non-governmental research center specialized in defense affairs, of the 76 soldiers who have died this year only ten were killed by Armenian forces along the front lines, where a tenuous ceasefire has been in place since 1994.

Most non-combat deaths are reported as suicides. The proportions were similar last year, with 20 combat deaths out of the total 97 fatalities in the military.

At the same time, defense expenses have over the last decade increased by a factor of 22. As President Aliyev noted “[if] in 2003 our military budget was US\$163 million, last year this figure was US\$ 3.6 billion and this year it has reached US\$ 3.7 billion.” The parliament is currently considering the 2014 state budget and according to the bill, the government is going to spend AZN 48 million (US\$ 60 million) more than in 2013. Military expenses are the largest post in the national budget.

Aliyev stated at a government meeting in October that “...The military costs are taking a special place in the state budget of this year..., this is natural, since we live in conditions of war and the Azerbaijani government is doing everything possible to accelerate and strengthen the army’s development ... Currently, the Azerbaijani army is the strongest, most professional and battle worthy army in the South Caucasus.”

An International Crisis Group (ICG) report released five years ago noted that the lack of meaningful parliamentary oversight leads to a lack of transparency and accountability in the security sector, causing problems such as price inflation and preferential treatment of proxy companies, as well as lethal accidents due to inferior hardware. ICG described reforms in the Azerbaijani army as a reflection of

“the ruling elite’s greater fear of internal challenges, rather than external ones,” due to the systematic upgrades of the internal troops and other law enforcement agencies, whose primary role is to protect the ruling elite. “A war in Nagorno-Karabakh is unlikely in the immediate term. But in the longer term fragmented, divided, accountable-to-no-one-but-the-president, un-transparent, corrupt and internally feuding armed forces could all too easily be sent off to fight to satisfy internal power struggles,” the report reads.

Newly appointed Defense Minister Hasanov has sacked the two deputy ministers and other senior officers he inherited from his predecessor. Oxford Analytica noted in a recent analysis that the replacement of Abiyev with the commander of the country's Internal Troops represents a significant shift in policy, suggesting the possible launch of serious defense reform and a new anti-corruption campaign within the Azerbaijani armed forces. “The move may also herald a more forceful use of the military to ensure internal domestic order and stability,” it notes.

NEW GEORGIAN GOVERNMENT FACES POLITICAL AND ECONOMIC UNCERTAINTIES

Archil Zhorzholiani

On November 17, Giorgi Margvelashvili was sworn in as Georgia's fourth president. Shortly thereafter, Georgia's parliament confirmed Irakli Gharibashvili as new Prime Minister to replace billionaire Bidzina Ivanishvili on the post (see the [13/11/2013 issue of the CACI Analyst](#)). In his inauguration speech, President Margvelashvili reasserted his commitment to democratic and Euro-Atlantic values. As he put it, Georgia has departed from its post-Soviet past and now is switching to a modern type of democracy that is centered on a European political culture.

Margvelashvili stressed the importance of international guarantees for the policies of non-recognition and de-occupation of the occupied territories. In this regard, integration with the EU and NATO as well as enhancing bilateral ties with the U.S. was declared priorities by the president. He also restated the new government's pledge to engage in dialogue with Russia to underpin mutual confidence and overcome existing problems.

However, in an earlier interview with Russia's Channel 1, the president-elect not only proclaimed his readiness to maintain an intensive dialogue with Russia but also completely ignored the question of

the occupied territories. Moreover, he happily appreciated the congratulations from Patriarch Kirill, the head of Russian Orthodox Church, on his presidential victory, which in Margvelashvili's words would encourage "people to people contacts between two orthodox Christian nations." To the question of whether he was going to attend the 2014 Sochi Olympics, Margvelashvili responded that he had been considering the issue with his political team.

Meanwhile, PM Irakli Gharibashvili kept the cabinet of ministers intact, with the exception of the Interior Minister, and presented his government's program to the parliament.

The parliamentary minority group, represented by the United National Movement (UNM), slammed the program, and especially its economic forecast. According to official figures, Georgia's tax revenue will fail to reach the 2013 target as economic growth is far below the forecasted 6 percent, given the 1.7 percent growth of the economy in the first nine months of this year. In October, UNM anticipated a budget cut before the end of the year. Although the government eventually admitted the shortfall in revenues in November, the Minister of Finance, Nodar Khaduri, dismissed

the rumors about an upcoming budget sequestration.

Against this background, Gharibashvili was asked numerous questions regarding the slowdown in economic growth at the parliamentary hearing. Reading out from his notes, the PM elucidated that the previous years' economic growth was based on state-funded large-scale infrastructure projects with a one-time and short-term effect, and that economic growth started to plummet in summer 2012, before Georgian Dream (GD) came into power.

This assertion was, however, challenged by UNM MP Zurab Japaridze, who asserted that the indicator of economic growth was 7.5 percent in the third quarter of last year. Although the slowdown started in June, the figure fell to 2.8 percent in the fourth quarter of 2012 - not before but after GD held the office.

The new cabinet also argued that the economic difficulties are an effect of the difficulties of cohabitation process and the destructive actions carried out by UNM, a claim dismissed by UNM MPs as an attempt by the government to avoid responsibility as the opposition has not had the power to influence economic processes.

The opposition also expressed concerns regarding the government's decision to issue GEL 400 million worth of treasury bills on the domestic market next year. When asked by UNM to explain the purpose of the loan, Gharibashvili said that it

would be released to "repay obligations taken by you." However, the parliamentary minority insists that the government is taking an internal loan to ensure funding of healthcare and pensions. In sum, the opposition assessed the economic part of the new government's program as ambiguous and failing to identify precise economic measures to address the economic stagnation.

While the economy is set to be the most crucial issue for the new government, the new government's foreign policy also implies controversial choices. Margvelashvili's inauguration speech did emphasize the non-recognition and de-occupation policies regarding Abkhazia and South Ossetia. However, his silence on occupied territories and the return of Internally Displaced Persons during the interview with Russian Channel 1 may suggest that, from a GD standpoint, intensive dialogue with Russia does not necessarily mean discussion of the most problematic security questions. Without a coherent standpoint on these issues, however, "normalization" of relations can only be considered at the expense of Georgia's territorial integrity.

Moreover, the case of Ukraine suggests that Russia will never tolerate Georgia's integration with the European economic space. Thus, it is not clear how the Georgian government is going to reconcile two contradictory foreign policy objectives, especially in light of the economic slowdown.

RUSSIA AND KAZAKHSTAN CLINCH “ALLIANCE FOR THE 21 CENTURY”

Georgiy Voloshi

On November 11, the presidents of Russia and Kazakhstan, Vladimir Putin and Nursultan Nazarbayev, met in the Russian city of Yekaterinburg within the framework of the Tenth Regional Cooperation Forum. This bilateral structure aims to develop closer economic and trade relations between Russia's and Kazakhstan's border regions, especially in the context of growing integration ties between the two countries. While the general state of Russian-Kazakhstani partnership was the major topic of official discussions, this gathering enabled the signing of a new bilateral treaty known as the Treaty for good-neighborliness and alliance in the 21 century.

Based on an earlier agreement signed in May 1992 in the wake of the collapse of the Soviet Union, this treaty reaffirms Russia's and Kazakhstan's desire to foster relations “built on mutual trust, strategic partnership and comprehensive cooperation” (article 1). Upon recognizing their mutual respect for state sovereignty and territorial integrity (article 2), the two sides state their intention to avoid participation in any blocs and alliances directed against either of them. They also pledge their commitment to

coordinate their foreign policy initiatives (article 3).

With the bulk of subsequent articles concerning various bilateral partnerships in fields as diverse as oil and gas, atomic energy, trade, cultural and scientific cooperation, article 10 of the new agreement specifically mentions the Customs Union and the Common Economic Space formed respectively in July 2010 and January 2012. Russia and Kazakhstan thus promise to strengthen these two structures “for the purpose of deepening Eurasian integration based on the principles of equality, voluntariness and mutual benefit without infringement upon political sovereignty.”

Russia and Kazakhstan also used the Yekaterinburg forum to conclude several sectoral agreements, such as the Roadmap for increased industrial cooperation in 2013-2014, a memorandum of understanding between their respective Industry Ministries foreseeing the expansion of their joint projects as well as a large gas contract. Overall, the two countries remain strategic political and economic partners. While their trade turnover grew fourfold within the last

ten years to reach some US\$ 23.8 billion in January-December 2012, cross-border ties still account for over 70 percent of this figure. Kazakhstan currently trades with almost 80 Russian regions on the basis of some 200 interregional cooperation agreements, with the number of joint-ventures having recently surpassed 5,000.

Together with Belarus, Moscow and Astana expect to become the founders of the Eurasian Economic Union, an EU-styled economic integration organization endowed with powerful supranational institutions and common legislation. Whereas the establishment of this bloc is expected no later than January 2015, its founding treaty is to be submitted for signing by the three presidents as early as next May. Despite Kazakhstan's and Belarus's objections, Russia also expects to promote political integration, with its high-level officials repetitively declaring that a common legislature would eventually be set up, after the Eurasian Economic Commission already assumed the responsibilities of a shared executive body.

However, differences among the three partners remain and are further likely to grow, as Russia's role in their joint integration projects is becoming increasingly predominant. Earlier on October 24 and 25, Putin, Nazarbayev and Lukashenka met in Minsk to discuss the launch of the Eurasian Union. On this occasion, Kazakhstan's president accused Moscow of practicing discriminatory measures,

first and foremost non-tariff barriers, against his country's producers. Contrary to the Russian Statistics Agency, Kazakhstani authorities had previously reported a sharp decrease in exports towards Russia and the rapidly increasing inflow of Russian goods. Moreover, Nazarbayev said that the Eurasian Economic Commission lacked impartiality, as it purportedly sought greater decision-making powers while taking direct orders from the Kremlin.

This criticism notwithstanding, it was Nazarbayev himself who suggested dismantling the Eurasian Economic Community (EurAsEc), a trade bloc created back in 2000 to promote economic cooperation in the post-Soviet space. According to Nazarbayev, the Eurasian Union is due to become the core integration framework with a potential to not only include Kazakhstan's southern neighbors, Kyrgyzstan and Tajikistan, but also to attract new members, such as Turkey. Putin's vision sounded more cautious: as Eurasian integration is still at its early stages, the EurAsEc would still be useful to maintain close multilateral ties with other post-Soviet states whose economies are not strong enough to integrate into the Customs Union any time soon.

At present, Russia and Kazakhstan will attempt to consolidate their integration achievements, paving the way for the Eurasian Union. Despite his country's diminished weight in the Customs Union, President Nazarbayev is unlikely to change course and seems intent to continue to lend his

support to this ambitious initiative. However, Moscow will have to make concessions to both Astana and Minsk to secure their continued loyalty and to make their trilateral partnership

look more like a mutually beneficial undertaking than a purely political alliance entirely dominated by the Kremlin.

KYRGYZSTAN'S DEFENSE COUNCIL DISCUSSES CORRUPTION

Arslan Sabyrbekov

On November 4, a meeting of Kyrgyzstan's Defense Council took place in the State Residence Ala-Archa. The meeting was chaired by the President of the Kyrgyz Republic Almazbek Atambayev and focused on corruption and the state anti-corruption strategy adopted two years ago.

Kyrgyzstan continues to face widespread corruption in all sectors of the economy and at all levels of the state apparatus. Mid and high ranking state officials continue to build luxurious mansions and drive expensive cars while poverty levels among the general population remain high and infrastructure is underfunded. Corruption and years of cronyism and clientelistic practices fuel discontent among the general public and were one of the major causes of Kyrgyzstan's two revolutions in 2005 and 2010; both resulting in a violent overthrow of the regime. The

country's current leadership declared the fight against corruption as one of its priority challenges and launched the state strategy on anti-corruption policies. The implementation of these policies was a top agenda of this year's meeting of the Defense Council.

Members of the Defense Council have unanimously declared that corruption remains extremely prevalent in Kyrgyzstan and that major efforts have already been made to effectively counter this challenge. President Atambayev went on to state that "the recent anti-corruption mechanisms have shown that high ranking corrupt officials are not immune from responsibility for their wrongdoings and that now it is very dangerous to engage in any corruption deals."

Indeed, Kyrgyzstan recently witnessed waves of arrests of high ranking officials, among them former Bishkek mayor

Nariman Tuleev, who was sentenced to 11 years of imprisonment and confiscation of all his properties, the former Minister for Social Development and some mid-level officials. On November 20, the General Prosecutor's Office issued a warrant to detain opposition lawmaker Akhmatbek Keldibekov amid an investigation into alleged abuse of office and financial misdeeds while running the State Social Fund and Tax Service several years ago. In turn, Keldibekov placed a video statement on the Internet a few hours before his detention, denying all the allegations and terming the investigations launched against him "politically motivated."

Experts are also divided in their opinions on whether the arrests should mainly be considered a fight against corrupt officials or a method for repressing the political opposition. According to political analyst Valentin Bogatyrev, the country's leadership is currently fighting corruption only among its political opponents, which seriously undermines the legitimacy of the government's undertakings as well as public support. Johan Engvall of the Central Asia-Caucasus Institute & Silk Road Studies Program also noted that simply arresting some corrupt officials will not result in a full destruction of the

corruption schemes and underlined the need for a systematic approach to the problem.

This year's meeting of the Defense Council also resulted in several organizational changes. President Atambayev suggested that the Defense Council and its Secretariat coordinate all the anti-corruption activities in state institutions. He explained that "this way, the Council's Secretariat will be able to ensure a single state policy and eliminate duplication of functions and actions of anti-corruption agencies." The president also posited that "any leader not in a position to timely and effectively implement anti-corruption measures in his or her department should resign immediately."

In this regard, Atambayev made a number of critical remarks against the Ministry of Education, noting "the prevailing practice of students buying their University seats and paying for their grades. This has led to the result that only around 10 percent of the University graduates in Kyrgyzstan can be considered competent experts in their respective fields." Indeed, the corrupt education system is creating an entire generation of young people striving to become civil servants with the motivation of enriching themselves through

corruption and stealing from the public.

In sum, the participants of the Defense Council meeting engaged in a fairly honest discussion regarding the scale of the problem and did not try to

downplay it. Anti-corruption measures must indeed be systematic and not a subject of political bargaining or motivation, as put by the recently imprisoned.