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ANALYST

BIWEEKLY BRIEFING

Wednesday, May 7, 2003

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EDITORIAL PRINCIPLES

The Analyst is an English language global Web journal devoted to analysis of the current issues facing the Central Asia-Caucasus region. It serves to link the business, governmental, journalistic and scholarly communities and is the global voice of the Central Asia-Caucasus Institute, The Johns Hopkins University-The Nitze School of Advanced International Studies. The Editor of the Analyst solicits most articles and field reports however authors may suggest topics for future issues or submit articles and field reports for consideration. Such articles and field reports cannot have been previously published in any form, must be written in English, and must correspond precisely to the format and style of articles and field reports published in *The Analyst* (www.cacianalyst.org) and described below.

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Analytical articles require a three to four sentence introduction to the article based on a news hook. Rather than a general, overarching analysis, the article must offer considered and careful judgment supported with concrete examples.

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BACKGROUND: 200-300 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: 200-300 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.

Specifications for Field Reports:

Field Reports focus on a particular news event and what local people think about the event, or about the work of an NGO. Field Reports address the implications the event or activity analyzed has for peoples' lives and their communities. Field Reports do not have the rigid structure of Analytical Articles, and are shorter in length, averaging ca. 500-700 words.

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: svante.cornell@pcr.uu.se and suggest some topics on which you would like to write.

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RUSSIA'S MOVE IN CENTRAL ASIA

Stephen Blank

Since the war in Iraq, Russia has launched a comprehensive effort to bring Central Asia and the CIS under its control using military and economic instruments of power to counter America's presence there. These moves reflect the Russian military-political elite's continuing unwillingness to forsake its hegemonic approach to Central Asia or to accept the legitimacy of America's presence there as invited by local sovereign states. Apart from further militarizing Central Asia's politics and stimulating its division into competing blocs, these new initiatives also aggravate declining U.S.-Russian relations and reflect an effort not only to subordinate key states to Moscow, but to surround and pressure Uzbekistan, Central Asia's most independent and strongest actor.

BACKGROUND: Russia's elite remains unreconciled to America's economic-military presence in the CIS, which it regards as a threat to the reconstitution of Moscow's hegemony there. The war against Iraq reintensified fears of Moscow's losing ground in Central Asia and precipitated coordinated moves against Central Asian states and America. Moscow's recent moves follow Washington's refusal to make concessions to Russia to win its support over the war with Iraq, implying that Russia gains nothing from partnership with America. Elite pressure for striking to recover lost ground in the CIS is unremitting and uncontested. This is led by the foreign and defense ministries, the least reformed of any post-Soviet institutions in personnel or outlook.

These moves center on Turkmenistan, Kyrgyzstan, and Tajikistan, the states most to Russian pressure, and rely heavily on military, secret police, and energy or economic instruments of power. In Kyrgyzstan, Tajikistan, and even Azerbaijan Putin has supported these ministries as they try to pressure those states to comply with Moscow and create military blocs counter to the American presence in Central Asia.

Late in 2002, Russian special services helped facilitate an abortive coup against Saparmurad Niyazov of Turkmenistan with the clear intention of persuading him to continue to ship Turkmen gas through Russian pipelines. Gazprom and the special services' coordinated pressure has now paid off with a new deal, where Niyazov agreed to ship his gas through Russia. This deal helps sustain Russian President Putin's plan for a Moscow-led gas cartel that would squelch Caspian producers' efforts to break free of Russia's grip.

In Tajikistan, Russian diplomats attacked local media outlets that questioned the need for a Russian base and threatened to curtail the remittances of Tajik workers back to Tajikistan to coerce Dushanbe to accept a permanent Russian base there. In Kyrgyzstan, Russia exploited U.S. demands for democratization to obtain an air base at Kant. This base's ostensible purpose is to strike at terrorists but given Russia's record of never striking at them before, this sounds dubious. More likely, it will be the hub of support for President Askar Akayev against domestic threats and for the new military

organization that Moscow is creating against America's presence there. This Organization of the Collective Security Treaty of the CIS (OCST) is intended to be an alliance with a clear bloc structure and charter that will copy NATO's Article V, calling for automatic use of force in the event of threats to any other member state. Moscow is pushing to create a rapid reaction force which could be deployed automatically and not after lengthy consultations.

Moscow has also begun criticizing coalition operations in Afghanistan of being ineffective and has promised to send more troops to the area, probably to the bases in Tajikistan and Kant. The latter is rumored to be the site for a deployment of 6000 troops and 20 planes and the aerial base for support of this rapid reaction or other ground forces in the area belonging to the CSTO.

IMPLICATIONS: These moves represent an effort to strengthen what has hitherto been a singularly ineffective talking shop. Russian media reports confirm that America's victory in Iraq, Washington's refusal to consider Russian interests as seen by Moscow, and Russia's growing fear of being ousted from the CIS triggered them. Various CIS members' efforts to draw nearer to NATO and Washington or to secure economic independence from Russian oil and gas pressures also clearly play a major role here.

It is hardly surprising that moves to pressure Georgia due to its signature of a new treaty with Washington, and calls for Azerbaijan to forsake ties to Washington and move closer to Moscow, coincided with the Central Asian initiatives. Similarly, Russian diplomats have publicly opposed Kazakhstan's efforts to build its own Navy to defend its Caspian shore. Likewise, Putin's continuing efforts to enclose CIS economies in a closed bloc called the Eurasian Economic Association (EurAzEC) indicate enduring aspirations for a monopolistic hold on local energy economies.

These moves do not aim to recreate the Soviet Union. But they do represent an increasingly coordinated attempt to realize the diminution of these states' effective sovereignty by creating a Russian-dominated sphere of influence that entails their military-economic-political subordination to Russia and allows Russia opportunities to monopolize access to and

influence over their energy holdings and defense policies. It also entails the support for dictatorship abroad and for anti-democratic rule at home. Third, it means dividing Central Asia into blocs as Moscow clearly seeks to undermine Islam Karimov's pro-American policies and rule in Uzbekistan, even to the extent of spreading rumors of his imminent demise. One way to do so is to surround Uzbekistan with satellites to curtail its ability to develop freely and enhance its regional influence. Fourth, these policies also strike at American policies in Central Asia by increasing pressure upon local states to limit America's freedom of action, undermine their support for Washington's war on terrorism, and eventually create conditions to induce Washington to leave the area. Ultimately, Moscow would like to curtail American and other foreign opportunities for investment here, because an independent and competitive energy sector in Central Asia undermines the oil and gas sector in Russia upon which the Russian economy depends.

CONCLUSIONS: All things considered, Russia's strivings for exclusive hegemony in Central Asia and the CIS will probably fail. Moscow lacks the economic and military resources to dominate these areas single-handedly.

Moreover, America is unlikely to let it do so and plunge these states into perpetual stagnation. Unfortunately, Russia has now thrown down a gauntlet to America and stimulated the rivalry in Central Asia that it feared. Russia's new bases and efforts to coerce local governments into a military alliance ensures that America will neither soon leave its bases nor do so unilaterally. The consequences of that departure would be disastrous for those local states and for Russia as well.

Continuing calls for a "redivision of spheres of influence" and other such atavistic policies suggests how little Moscow appreciates its own limited capacities for sustaining and projecting power abroad and how little it has learned from Yeltsin's quixotic efforts to establish hegemony by force. In doing so, they may bring the whole edifice of regional

security as well as hopes for regional progress crashing down upon both Central Asia and themselves.

AUTHOR BIO: Professor Stephen Blank, Strategic Studies Institute, U.S. Army War College. The views expressed here do not represent those of the U.S. Army, Department of Defense, or the U.S. Government.

ATTACK ON OPPOSITION NEWSPAPER HIGHLIGHTS TENSIONS IN AZERBAIJAN

On May 4, several dozens of people attacked the office and staff of the leading opposition newspaper *Yeni Musavat*. The attackers broke glass, furniture and equipment in the office and physically harassed the staff. The incident took place at the absence of President Aliyev from the country, who following his collapse on April 21, had left for Turkey two days earlier for medical check-up.

Yeni Musavat, which has the largest circulation in Azerbaijan (14,500 daily), has long been a subject of attacks on the media. Many pro-governmental and independent analysts consider the newspaper's coverage of domestic events rather radical. In light of the recent health problems of President Aliyev, *Yeni Musavat*'s stepped up its criticism of the authorities and has been repeatedly calling for the resignation of the President. Although many in Azerbaijani society believe it is unethical to discuss the health of the President in this way, Rauf Arifoglu, the chief editor of *Yeni Musavat*, is convinced that the health of the number one person in the country should concern everyone.

The police that arrived at the incident scene arrested several of the attackers. As it appeared later, Faramaz Allahverdiyev, member of the so-called "Gudrat Hassanguliyev group" that split from another opposition party, The Popular Front, headed the group. At a press conference the next day, Arifoglu noted that the attackers demanded the end of articles on the President's health. He is convinced that the authorities are behind the attack as the amount of criticism, pressure and

harassment toward the newspaper has, he said, increased in the last few weeks.

Representatives of the U.S. embassy in Baku, OSCE's Azerbaijan office, and members of the Parliament immediately visited the office of the newspaper and condemned the attack. Peter Burkhardt, the head of OSCE office in Baku, has promised to personally follow the investigation and called these attacks a pressure on freedom of speech. Local human rights organizations, such as the Human Rights Center of Azerbaijan and Helsinki Citizen's Assembly also condemned the attacks and called them a primitive method of political pressure.

Meanwhile, Ali Hasanov, the head of President's Office's socio-political department said that the authorities strongly condemned any kind of illegal action. At the same time, he pointed out the growing tensions between the "society and the newspaper", and thus called for more balanced coverage of the political events. Hasanov also called for the implementation of court decisions, referring to those law suits that were brought up against the newspaper in December of the last year. Some of those twelve lawsuits found *Yeni Musavat* guilty and subjected it to heavy fines.

The Council of Editors and the newly established Press Council have expressed concerns about the incident and have called the authorities to stop its harassment of the independent media. Aflatun Amashov, the chairman of the Press Council, has called the incident as a "major test" for his

organization's ability to solve the problems of the press in the country.

Yeni Musavat, although officially an independent outlet, is the mouthpiece of the major opposition party Musavat (Equality). Musavat's leader Isa Gambar is one of the major contenders for power in the upcoming presidential elections. In 2000, prior to the parliamentary elections, the newspaper and the party were also subjected to pressure from the government, even resulting in the arrest of the *Yeni Musavat* editor Arifoglu on the charges of terrorism and plane hijacking. The charges were dropped later.

The latest incident is clearly a testimony to the growing tensions in Azerbaijani society and the widening rift between the ruling party and the opposition. On May 4, the same day of the attack, thousands of people rallied in the streets of Baku to demand the resignation of the President due to his health problems. The Musavat party was one of the organizers of the demonstration, thus calling for the criticism of the authorities, who had previously asked the opposition parties to postpone the rally.

The head of the police department of Baku, Nazim Nagiyev, has promised to take serious measures toward punishing the attackers. Meanwhile, the press community in Baku is furious about the incident and calls for immediate steps to guarantee the security and safety of the newspaper staff. Large-scale demonstrations by the representatives of the media power are not excluded.

Fariz Ismailzade

ALIYEV'S HEALTH PROBLEMS CREATE POLITICAL UNCERTAINTY IN AZERBAIJAN

Azer Mamedov

The collapse of President Aliyev once again brought the issue of succession and political stability in Azerbaijan to the top of the agenda. Opposition parties reacted to the incident with increased activism, while the ruling party seems to be in disorder. Fear of the President's demise has prompted local analysts to speculate on the post-Aliyev political situation in the country. Meanwhile, in the absence of the sole decision-maker, the socio-economic situation gradually enters the period of stagnation.

BACKGROUND: On April 21, speaking at the ceremony devoted to 30th anniversary of Nakhchevanski Military Academy, President Aliyev suddenly felt heartache and collapsed in front of 2,000 attendees. The incident was broadcast live to millions of people in the country. Later, on May 4, Aliyev was flown to Turkey for a health check-up at the Gulhane military hospital.

Aliyev has experienced health problems earlier. He underwent a by-pass surgery in Cleveland in 1999 and has been treated in Turkey and the U.S. on several occasions since.

Aliyev's health has been a vital issue for Azerbaijan in the last ten years. Having come to power in 1993 at a time of internal chaos and civil unrest, President Aliyev managed to reverse the outbreak of civil war in the country and prevent Azerbaijan's territorial fragmentation by controlling secessionist movements among the Talysh in the south and Lezgins in the North. He also managed to achieve a cease-fire with Armenia, which improved regional stability and shifted the focus of the government to economic and social development. Dozens of oil and gas contracts were signed with the Western companies, paving the way to the flow of investments into the country and subsequent development of economy and infrastructure. Inflation was minimized, employment increased and GDP has been on the rise since 1995. But most of these achievements have been connected solely to the President's strong rule. Democratic institutions have developed slowly during this period, creating doubt in their capability to make a smooth transition of power, should President Aliyev leave the political scene. Although President Aliyev crushed several violent revolts, internal groupings both within the ruling New Azerbaijan Party (YAP) and within the opposition remain at odds and pose a danger for domestic order. Although solid on the surface, YAP has been experiencing internal fighting for several years. This has been mainly a clan-based struggle between members of YAP from Nakhichevan, the President's home region, and the Yeraz, Azeris who originated from Armenia. In recent years, fragmentation has been shifting along the lines of old-time conservatives and younger, modern forces who form the President's son Ilham Aliyev's team.

IMPLICATIONS: Aliyev's recent health problems have already become Azerbaijan's problems. The illness of the sole decision-maker has put the political and economic

development of the country on hold, leading to stagnation in many sectors of economy. There have been rumors of foreign companies pulling out their financial resources from the country.

The ruling YAP seems to be in disorder. Leading members of the party contradicted each other on the status of the President's health and have praised government-opposition relations, thus seeming to try to please the opposition. Local analysts perceived this as a sign of possible willingness of some YAP members to switch sides.

Meanwhile, opposition parties have stepped up their struggle for power. On May 4, thousands of members of the major opposition parties rallied in Baku to demand the resignation of the President. Although this rally was similar to earlier ones organized by the Opposition Coordination Center, an increasing activism on the part of opposition media and parties can be observed. A week earlier, over hundred intellectuals united to send a letter to President Aliyev, requesting his resignation.

As a result of these actions, there has been an increased pressure on opposition media and NGOs. On May 3, nearly 35 people attacked the office of the opposition daily *Yeni Musavat*, causing a damage worth \$3,000.

The political processes around the upcoming presidential elections and the adoption of the Unified Election Code, which will regulate these elections, are also under question. International Organizations and opposition parties are pushing for equal representation of all major parties in the election commissions, but authorities are not delivering the final answer. Last week, *Yeni Musavat* reported that authorities were considering concessions on this issue.

The President's collapse also prompted many local analysts to speculate on the issue of succession. Local newspapers published different variants of post-Aliyev political order in the country, from Ilham Aliyev taking over the presidency to opposition parties coming to power.

The press has also noted the possibility of a non-confrontational scenario in the post-Aliyev period. This could be possible, should authorities decide to enter into some sort of a power-sharing deal with the opposition parties. On May 2, several newspapers reported an alleged offer to Ali Kerimli, leader of the opposition Popular Front Party, to take over the chairmanship of the parliament.

Deputies from the Popular Front have been working together with Ilham Aliyev in the Parliamentary Assembly of the Council of Europe, and improving working relations between Ilham Aliyev and the Popular Front Party can be discerned. Two months ago, when the Ministry of Justice cancelled the Popular Front's registration but the decision was reversed, Ilham Aliyev was said to have backed up the Popular Front and put pressure to have the decision overturned. Of all the leading YAP officials, Ilham Aliyev seems to be the most flexible and liberal towards the opposition parties. Ali Kerimli himself, however, refuted the rumors. Although it is highly unlikely that this kind of a coalition be formed at present, given the ambitions of the opposition leaders, such cooperation would do much to prevent domestic unrest.

CONCLUSION: President Aliyev's collapse has shocked the country and the international community, in spite of discussions of his health over many years. Many are now again pondering the issue of succession in the country and the subsequent political and economic stability in Azerbaijan and in the region. Yet, the possible consequences of the President leaving office remain as unpredictable as ever.

Although it may be premature to foresee the President's demise and speculate of the consequences of this event, some implications of the collapse are already emerging. The most palpable consequence has been an acceleration of latent political processes. Internal struggles within the ruling party have begun to intensify, raising the possibility of a split between forces presently united mainly by vested interests in staying in power. At the same time, opposition parties have jumpstarted their race for power, thus creating a real danger for increased political instability in the country. The last two weeks have highlighted the risks of relying on one person as the guarantor of stability both in Azerbaijan and in general. Two specific issues are presently worth watching: one is the role of foreign powers, especially Russia and Iran, who may attempt to influence these processes by supporting their own candidates; the other is whether the Karabakh issue will be an element in the power struggle, and whether this will increase regional tensions.

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RAINS RISK ENVIRONMENTAL DISASTER IN KYRGYZSTAN

A landslide in Kara-Taryk village of Uzgen district in southern Kyrgyzstan, caused by frequent rains, killed 38 people, and put 11 houses under ground. Specialists warn that such natural disasters create danger of destruction of uranium tailing dumps in the Kyrgyz Mailuu-Suu district. This could lead to ecologic catastrophe throughout the whole Ferghana region.

The incident took place on April 20 at 3.45PM. The landslide volume was 1,5 million cubic meters. In an hour, 60 people from the special mobile battalion of Ecology and Extreme Situations Ministry started a rescue operation. They extracted five bodies from underground, and ended their work the next day.

A state commission headed by Prime Minister Nikolay Tanaev investigates circumstances of the incident. The government is providing provisions and drugs to people who lost their homes, and are building new houses for them. Russian Extreme Situations Ministry representatives helped their Kyrgyz colleagues by erecting shelters.

However, the Kyrgyz government admitted in its application to the UN for assistance that it is experiencing a serious shortage of medicines, gasoline, foodstuffs, building materials, financial and human resources. Kyrgyz officials asked the international community for financial and technical support.

"In March, we forecasted possible landslides in Uzgen, Bazar-Korgon, Aksy, Alay, and Suzak districts of the republic," said Anarkul Aytaliev, director of prognosis and monitoring department of Kyrgyzstan's Ecology and Extreme Situations Ministry. "In particular, we insisted on moving of 30 families from the Kara-Taryk village. Three days

before the tragedy happened, local administration representatives warned them of the danger, but people wouldn't listen. They just had nowhere to go."

The government noted the adverse environmental situation in the Naryn region of Kyrgyzstan. Nadyr Momunov, advisor to the Prime Minister and head of the information department, informed that Nikolay Tanaev, Prime Minister, and Satyvaldy Chyrmashev, ecology and extreme situations minister, are about to visit Naryn to personally see how security measures there are progressing.

As Mr. Chyrmashev stated, landslides and spring floods in zones where uranium waste is kept may cause an environmental catastrophe. Tailing dumps in Mailuu-Suu are in a very bad condition," Kyrgyz ecology and extreme situations minister said, "If a natural disaster destroys one of them, over than 3 million people in Kyrgyzstan and Uzbekistan will be in radioactive contamination zone."

In the Mailuu-Suu district, there are 23 tailing dumps and 13 mountain dumps containing about two million tons of uranium waste and other radioactive substances that have been preserved from the late 1960s. According to the Kyrgyz Ecology and Extreme Situations Ministry, "from 1991 to 1998, repairs in these objects were rarely done and not well enough." Specialists say its complete rehabilitation requires about forty million dollars.

The Mailuu-Suu district is considered a high-seismic zone. Local experts note the danger of uranium-keeping areas in the event of earthquakes. Besides, radioactivity level on this territory significantly exceeds the permissible limits.

The Kyrgyz government, which does not have sufficient means for repairs in tailing dumps, plans to establish a trust foundation where grants from foreign investors will be accumulated. The main supporters are Russia and the U.S., who have been helping Kyrgyz officials to restore uranium storing places around Kadjy-Say town in Issyk-Kul.

Prevention of damage to uranium tailing dumps in Mailuu-Suu and of radioactive pollution in Central Asia is estimated to cost US\$200 million. This was communicated in a statement of the special Kyrgyz parliament commission that has researched the problem in detail along with scientists and experts of OSCE, World Bank, and other international organizations. They concluded that frequent landslides and earthquakes in Mailuu-Suu could leak uranium waste to the Naryn river. As result, the whole region settled by millions people could be poisoned.

The World Bank is planning to grant five million dollars to Kyrgyzstan for restoration of tailing dumps in the Jalal-Abad region. The Governments of Russia and the U.S. also intend to allot in total US\$640,000 to support a project on the rehabilitation of uranium waste storing areas in the Kadjy-Say district of Issyk-Kul region. This money is obviously not enough to make those territories secure. Local people are not too optimistic, they say only future generations will be able to solve this problem. Meanwhile, weather forecasts in Kyrgyzstan are not consoling. Meteorologists predict abundant rains for the next several days.

Aijan Baltabaeva

THE PUTIN-TURKMENBASHI DEAL OF THE CENTURY: TOWARDS A EURASIAN GAS OPEC?

Ariel Cohen

Energy experts took the Russian idea of a "Gas OPEC" with a grain of salt. This may be changing: on April 10-11, Russia and Turkmenistan signed a 25-year natural gas agreement which, if successful, is projected to sell 2 trillion cubic meters of gas, bringing the two sides half a trillion dollars in sales over its lifetime. Turkmenistan will sell increasing amounts of gas to Gazprom at \$44 a cubic meter, while the price in Western European markets will be \$80-100 per cubic meter. The reseller of gas is gaining more than the producer.

BACKGROUND: "Friendly interaction and businesslike cooperation are the characteristic features of our relations with Turkmenistan," Interfax quoted Russian President Vladimir Putin. He probably also referred to a security agreement with Turkmenistan signed on January 2, 2003, in Ashgabat. Geopolitical and economic repercussions of this "deal of the century", however, are broader than its gargantuan size.

The gas agreement is unprecedented, as it will generate over its lifetime \$300 billion for Russia and \$200 billion for Turkmenistan, according to Russian sources. Alexei Miller, the head of Gazprom, has announced that Russia is to buy 6 billion cubic meters in 2004, 10 billion in 2006, and up to 80-90 billion cubic meters a year in 2009. The two sides will have an option to renegotiate the price in 2007.

Geopolitics and political psychology were key to clinching the agreement. Russia shrewdly played to Turkmenbashi's insecurity and paranoia. In November 2002, many experts believe, Turkmenbashi staged a failed "coup" to justify a crackdown on the opposition. The plot led to the capture and incarceration of Boris Shikhrmuradov, the former Foreign Minister, who was considered pro-Russian. The Turkmen leader, nevertheless, demanded and received a statement from Russia, announced by the Russian Security Council Secretary Vladimir Rushailo, that the coup was genuine, and, moreover, represented "an act of international terrorism."

IMPLICATIONS: Talk is cheap; Russia, which had sheltered the Turkmen opposition, made a tactical retreat in January by making a statement to the press on the "coup". It reaped the political and economic dividends in April, with the gas deal which will reverberate throughout Eurasia and beyond, for years to come. Russia will benefit from the contract in at least four different ways. Firstly, it will effectively be buying Turkmen gas at half price. This means one hundred percent profit before expenses, which is high by any standards.

Second, the deal stimulates Russian economy by allowing Gazprom to continue selling gas in the domestic market at \$21.5 for cubic meter, effectively providing Russian industry a subsidy of about \$60 per each cubic meter of gas it consumes. Add to this a domestic oil price as cheap as \$6-8 barrel, and the picture is clear. The Russian government is

using its abundant energy reserves to subsidize its otherwise obsolescent industrial base. For key Russian manufacturers, which consume huge amounts of electric energy, such as the aluminum smelters, this subsidy is vital, as it keeps whole industries competitive. As Putin said, this is job creation all right.

Third, by signing the agreement, Gazprom can much delay multi-billion dollar capital investments into the northern fields such as Yamal and Shtokman, while substituting Turkmen gas for its own production from high-cost Siberian fields.

Finally, it additionally stimulates the economy and creates jobs by promoting imports of uncompetitive Russian goods to Turkmenistan.

Geopolitical gains for Russia are equally impressive. The agreement puts the Kremlin in control of the transportation and marketing of Turkmen natural gas to Russia, the European Union, and Turkey. It practically kills off the idea a trans-Afghanistan pipeline from Turkmenistan to Pakistan, which the U.S. and Great Britain supported for a while. On December 27, 2002, Afghan President Hamid Karzai, Niyazov and Pakistani Prime Minister Zafarullah Khan Jamali signed an agreement to construct a 1,400 km, \$2.5 billion pipeline from the Daultabad field to Pakistan. Without the large Indian market, however, such a pipeline is not viable. In spite of recent moves to soften tensions between Pakistan and India, a gas link from Pakistan to India is unlikely to emerge. Pakistan's continued support for Kashmiri separatists has made the pipeline effectively unviable, while India is aiming to circumvent Pakistan through Iran.

The Russian April coup-de-grace also left in the dust the gas pipeline project from Turkmenistan to Turkey via Azerbaijan and Georgia, supported by the oil major Royal Dutch/Shell and the U.S.-based construction giant Bechtel, which was sidetracked earlier by Turkmenbashi.

Finally, Russia is effectively directing future sales of Iranian gas from the giant South Pars field to India, thus preventing Iran from becoming a major competitor in Turkey and Europe. This, however, may change if and when pipelines might be constructed to carry Iraqi, and possibly Iranian gas to Europe via Turkey and Greece.

CONCLUSIONS: The EU, already nervous because of dependency on Russian gas -- 36 percent of consumption in Western Europe, and over 50 percent in Central Europe -- is likely to be doubly suspicious of continuous subsidization of the Russian industry. The EU will probably step up its opposition to Russian membership in WTO if the subsidization through artificially cheap energy prices is not resolved.

The gas deal of the century signifies Russia's coming of age as a key geo-economic player in the energy field, and a market leader in natural gas sales. By playing multi-dimensional chess of energy and geopolitics, and catering to

Turkmenbashi's paranoid proclivities, Russia positioned itself to become a market maker in natural gas -- a position which can be only compared to that of the Kingdom of Saudi Arabia in the oil market.

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SMUGGLING OF OIL IN KYRGYZSTAN

The shadow economy has a strong position in Kyrgyzstan's economy. Smuggling is increasing very sharply. As "Kabar" news agency reports, Deputy Prime Minister Joomart Otorbaev said that whereas in Russia the shadow economy is 40% of economic activity, in Kyrgyzstan it is much higher. He also noted that it is rising dynamically by threatening the official economy and the main reason why it is happening is that the black sectors are not paying any taxes, and hence official sectors have to overpay, making their development considerably slower.

The main resources involved in the illegal business, that are of interest to smugglers, are oil, alcohol and tobacco, besides narcotics. Much money is to be made in these trades. The transportation of fuel takes one of the leading places in this illegal business. Experts say the country is losing about half a billion soms every year because of it.

This smuggling is greatly concentrated in the south of the country, which made most of the legal companies close business or follow the way of smugglers. As "Vecherniy Bishkek" reports in Batken region, there are twenty petrol stations, and neither of them has been working for some time. Shockingly, in the past years, no legal fuel has been transported to the south of Kyrgyzstan, and there were no payments made to the budget of the country. Statistics say that for this time period, 80% of oil consumption was satisfied by illicit transportation of resources. In 2002, about 30 thousand tons of fuel were transported into the Karakol city, specifically the free economic zone "Karakol", by only 4 registered automobiles. The fuel that is transported through this zone makes 90% of illegal business.

Most of this energy comes from neighboring countries, such as Kazakhstan and Uzbekistan. Because prices for gas are much cheaper there than in Kyrgyzstan, people are stimulated to smuggle. On the streets of the capital city Bishkek it is common to see people selling illegal gasoline in front of their houses in large amounts. Cars which are not meant to transport fuel convey most of these flammable resources. The inspector of Tokmok customs, Mr. Chekilov told a reporter that every day, about 50 tons of fuel and 40 tons of diesel are transported into Kyrgyzstan through all possible ways.

"Vecherniy Bishkek" reports from an interview with Rashid Yakubahunov, head of the department that deals with smuggling, that business with fuel in Kyrgyzstan is very diffused, and many people work in this sphere where they can make good profits. It is impossible for residents of Kyrgyzstan to survive only by salaries. The majority of the population live under the threshold of poverty, and that's why people are forced to choose this way for survival. The assistant to the finance minister, Mr. Shadiev said that it is impossible to force customs services at the borders to stop this trade, because there are still family relations, and corruption dominates the officially permitted way of trade.

As already mentioned, not only criminals but also legal, registered companies opt for smuggling. It is even unprofitable for private organizations to do their business legally because of high excise-duties and taxes at custom services at the borders. It is better for them to buy petroleum from smugglers and sell it without paying taxes.

To stop this illegal business, private companies try to find alternative ways. As the "Piramida" agency reports, the chairman of "Munai Myrza" association Mr. Babanov says that a cut of excise-duties would make legal business more feasible. From the financial side, it could bring about 300 million soms to the budget of the republic. It could bring a decline in oil prices and would bring the smuggling of oil to an end. He also underlined one of the main problems in this situation, which is misunderstandings with the government. The government is not ready to accept the suggestions of private oil organizations, asking to cut taxes 50% for fuel and 37% for diesels, since taxes in the oil-exporting countries are much lower. The excise-duties in Kyrgyzstan per 1 ton of fuel are twice higher than in Kazakhstan. Gasoline costs twice as much and diesel five times as much in Kyrgyzstan compared to Kazakhstan. Japarov, the chairman of the commission, notes that concrete steps should be taken. But unfortunately, they are not taken from the side of government or the executive.

This illegal business is a great danger to Kyrgyzstan's economy and development. This situation is in need of being addressed. There have been many meetings and sessions carried out during the last year, but it seems that they have just wasted time since no concrete results have been achieved.

The correspondent of "Slovo Kyrgyzstana" Mambetaliev says that nowadays it is impossible to force people to pay taxes, we can make them pay it voluntarily only by making right economical decisions.

Kunduz Tashtanalieva

THE RUSSIA-CHINA-INDIA STRATEGIC UNDERSTANDING:

Aftab Kazi

The Russia-China-India (RCI) strategic triangle was first proposed by former Russian Foreign Minister Yevgeny Primakov during 1998-99 to project friendly cooperation, non-aggression, anti-terrorism and trusting strategic partnership between the three Eurasian powers to boost Commonwealth of Independent States and balance Russia's post-Cold War relationships with multiplied economic and military cooperation against the increasing U.S. influence in Eurasia. Debates about unilateral vs. multilateral world order, particularly the new post-Iraq War power balance in the Middle East have revived bilateral discussions about RCI, this time aiming to develop a cooperative strategic understanding.

BACKGROUND: Regional economic and political pressures as well as strategic payoffs by the United States prevented the emergence of the RCI grouping so far. The American-British victory in Iraq and disagreements over the U.S. led international order nevertheless appear to have revitalized the concept. Military sales, fear of extremism and terrorism, and the desire for commercial spheres of influence has led China, India and Russia to reorganize bilateral priorities. However, Russian concern about the possibility of new permanent U.S. military bases in Iraq and most likely in the nearby regions necessitated a reassessment of their long-term regional security interests in order to decrease/neutralize the impact that new geopolitics might have in Central and South Asia and the Caucasus. The international positions of China, India and Russia manifest concern over the world order dialogue and their role in it, as well as related trade and military-strategic developments. China and India being the largest customers of Russian weaponry (approximately 800 and 400 billion dollars, respectively, over the last five years), count on receiving the most advanced Russian technologies. All three countries no longer entertain seriously opposing strategic interests, and possibly share an understanding about developing a Eurasian anti-missile defense system project possibly with European cooperation, if the U.S. went ahead with its own program. The post-Cold War shifts in balance of power have gradually led to an unparalleled normalization of relations and bilateral understanding between the three countries. The RCI strategic understanding has been interpreted as the beginning of another Cold War by some analysts.

IMPLICATIONS: Regional cooperation in the CIS and the SCO is bound to tie Central Asia and surrounding regions at least partially into RCI-related strategic understandings. Regional cooperation between Central and Southern Asia under RCI appears more promising to regional leaders for dealing seriously with the problem of landlockedness. The mostly weak Central Asian states exercise caution about each other and vis-à-vis other regional powers; hence they are open to alternate strategic relationships with simultaneous arrangements with the East and West, seeking economic and political stability.

The new geopolitics in the Middle East has led almost all regional states including India and Pakistan to reassess their earlier positions on key issues. The interdependence of China, India and Russia in their bilateral relationships with the U.S. and increasing U.S. strategic concerns and associated payoffs are likely to prevent RCI from becoming a formal anti-American military alliance. To landlocked Central Asian nations surrounded by stronger powers, the notion of multiple power representation offers a limited sense of security. However, fears that the new U.S. responsibilities in the Middle East may reduce assistance and investment in Central Asian oil and gas industry have increased; besides, the reduced oil prices caused by expectations of Iraqi oil flow, and lessening of support for revitalizing the Silk Road, has encouraged continuing reliance on pre-independence economic, political and communication structures. Reassessment of regional priorities over the last few months has led Kyrgyzstan to allow a Russian Air Force presence in this country, which seeks to balance U.S. military presence. New initiatives in Russia-Turkmenistan relations, and a seeming Turkmenistan-Iran understanding on water boundaries in the Caspian as well as increasing bilateral cooperation between regional countries are signs of these new realities. For the first time, India, a main potential consumer of Central Asian gas and electricity, and Pakistan, the major transit-route to Central Asia, have softened their positions, calling for the resolution of Kashmir conflict under a win-win scheme, indicating the possibility of turning the Line of Control into an international border. Both countries now emphasize increasing trade relations between South and Central Asia. There is also an emerging consensus among regional countries that continuing instability and regional tensions in Afghanistan need to be alleviated through integrating the Pashtun population in government. That said, statements on drastically changing the sociopolitical status quo in the Middle East worry many regional leaders, who are engaged in promoting a very gradual and slow democratization process, within the bounds of their own unique political and cultural realities.

Amid the pain of serious economic and political transitions, the RCI concept, coupled with a continuing opportunity of balancing East-West presence in the region, appeals to

leaders in Central Asia, where people continue to survive on relatively cheap Chinese and Russian consumer products. Russia and China remain among the most active investors in oil and gas production and transportation routes – and China in small and medium level businesses – in the region. Collective initiatives under RCI and Indian participation, through Iranian but eventually by necessity also through Pakistani routes, can broaden regional cooperation in the economic-strategic sphere. Regional interdependence based on transit routes complements RCI proposals by addressing the still unresolved landlockedness issues of the region. By Central Asian calculations, RCI, if materialized, may revive the still unrealized opportunities to unlock the Silk-routes trade.

CONCLUSION: The RCI strategic understanding scheme at one time was associated with the beginning of a new Cold War. However, U.S. ascendancy in the Middle East has changed that scenario. Russian pressure to revitalize the CIS is obvious, while Central Asian states desire a reasonably balanced East-West power relationship. Breakthroughs in

India-Pakistan relations should not be seen merely as a result of external pressures, but need to be understood in terms of new post-Iraq war domestic and regional priorities. Moreover, the nature of bilateral Russian, Chinese and Indian relationships with the U.S., and growing American interest in the region (particularly the interest in new bases on the Indian coast with related payoffs) are likely to neutralize RCI's possibilities to become an anti-American military alliance. U.S. influence could thus restrict RCI to geoeconomic activity, which can be used for regional stabilization, in breaking the landlocked isolation of Central Asia and reinforcing the long delayed materialization of Silk-route trade. RCI does not appear as much a threat today as it did earlier. The Primakov concept has been subjected to new geopolitical and foreign policy realities.

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KAZAKH-LANGUAGE JOURNALISTS FEEL SIDELINED BY EURASIAN MEDIA FORUM

For the second time in the last two years, Kazakhstan hosted one of the prestigious international events, the Eurasian Media Forum. On April 24-26, renowned intellectuals, public figures and journalists from 45 countries turned the five-star Regent Palace hotel in Almaty into a scene of lively debates about global issues.

It has long been noted by grumbling home critics, that the officials in Kazakhstan have an inherent obsession for various international conferences and summit meetings, intended primarily to boost the image of the country. There is a great deal of truth in that. The public of Kazakhstan is growing weary of these widely publicized events which often have not the slightest bearing on daily needs of ordinary people. A year ago, Kazakhstan played host to the first Eurasian Media Forum which discussed the global threat posed by international terrorism. The main topic of this year's forum revolved around the impact of the war in Iraq on cross-cultural relations. The pivotal idea of the forum was, according to its organizers, to bring East and West closer by stimulating an open dialogue between media people and intellectuals.

This broadly defined concept of a dialogue between cultures is something hard to fathom for some journalists in Kazakhstan who are first and foremost alarmed at the media situation at home. "When you listen to our policy makers talking about the issues of global scale you may get an impression that the sole problem which preoccupies us are international matters" sarcastically observed the political analyst Yesen Bainur in "Tarlan", the first and yet the only electronic weekly which appears in Kazakh.

Journalists working for the Kazakh-language press have a good reason to be dissatisfied with the much-publicized media forum. Most of them, as it turned out later, felt quite uneasy at the forum. Practically all speakers used English and Russian as a working language. The only Kazakh paper to be discerned among the heaps of publications in Russian at the newsstand was the "Turkestan" weekly, a liberal paper with a fairly moderate circulation of 127,000 copies. The national TV-channel "Khabar" was among the few privileged to give a full coverage of the event in Kazakh and in Russian. And that, apparently, owes to the fact that "Khabar" is placed under the patronage of Dariga Nazarbayeva, the daughter of the president, who was the main organizer of the media forum.

There are different reasons to explain why the Kazakh-language press has failed to come to the limelight of media events to this day. First, Russian still holds its traditionally high reputation as a wide-spread media language in Central Asia, which offers access to world information space. Second, in the public eye, Kazakh-language press is often wrongly associated with conservative ideas. Third, Kazakh print language based on slightly changed Cyrillic script is ill-adapted for the computer language. For that reason papers in Kazakh are generally not available on the internet.

For all its imperfectness, Kazakh-language media has made a considerable headway in recent years. Not only has the design of the papers improved remarkably, but the content has also become more intriguing for the readership. The independent papers like "SolDat", "Altyn Orda", "Azat",

"Aygak" and "Ak Zhol Kazakstan" have won great popularity owing to their scathing criticism of corrupt officials and articles promoting democratic ideas.

What really may be said regarding the Kazakh-language press is that some papers are influenced by a deep-rooted national-patriotic mindset. The favored topics of such publications are national heroes of the past, purely ethnic moral values unharmed by outside influence, and spiritual revival as a counterweight against Western immorality. For the greater part, this narrow-mindedness is generated by a growing sense of uncertainty and the loss of national values in the face of rapidly spreading Western culture. During the Iraq war most of the Kazakh papers depicted the actions as the clash of faith and culture. It could not be interpreted otherwise. The majority of Kazakh papers rely on Russian sources for outside information, in most cases simply reprinting Russian publications without bothering to interpret or otherwise comment the events.

This is one area where the issue of ideological security of the nation comes in. There is a rising awareness among the public that by remaining dependent on foreign information sources, Kazakh media is increasingly importing alien views and culture. It is also true, however, that in the modern world, the media cannot exist in isolation.

Marat Yermukanov

NEWS BITES

COMING SOON

