

Central Asia-Caucasus Analyst

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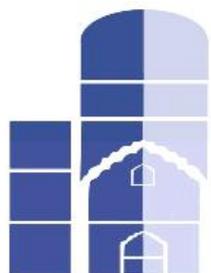
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Central Asia- Caucasus Institute
Silk Road Studies Program

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THE CENTRAL ASIA-CAUCASUS ANALYST

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The Central Asia-Caucasus 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 & Silk Road Studies Program Joint Center. 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.

The Analyst aims to provide our industrious and engaged audience with a singular and reliable assessment of events and trends in the region written in an analytical tone rather than a polemical one. *Analyst* articles reflect the fact that we have a diverse international audience. While this should not affect what author's write about or their conclusions, this does affect the tone of articles. Analyst articles focus on a newsworthy topic, engage central issues of the latest breaking news from the region and are backed by solid evidence. Articles should normally be based on local language news sources. Each 1000-1200 word analytical article must offer a concise and authoritative statement of the event or issue in question. An article must provide relevant, precise and authoritative background information. It also must offer a sober and analytical judgment of the issue as well as a clinical evaluation of the importance of the event. Authors must cite facts of controversial nature to the Editor who may contact other experts to confirm claims. Since *Analyst* articles are based on solid evidence, rather than rumors or conjecture, they prove to be reliable sources of information on the region. By offering balanced and objective analysis while keeping clear of inflammatory rhetoric, *The Analyst* does more to inform our international readership on all sides of the issues.

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KEY ISSUE: A short 100-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.

Field Reports: Field Reports focus on a particular news event and what local people think about the event, or about the work of an NGdO. 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. 700-800 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: scornell@jhu.edu and suggest some topics on which you would like to write.

Svante E. Cornell

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Feature Article

REBUILDING KAZAKHSTAN'S AGRICULTURE

Richard Promfret

Farm output in Kazakhstan fell dramatically during the 1990s, along with the general decline in the country's GDP. As the economy recovered after 1999 and then boomed, the government put substantial resources into reviving the agricultural sector, most notably the billion-dollar Agriculture and Food Program for 2003-5. In 2006 the government together with the World Bank, undertook an assessment of the Program and of the future of farming. Given the country's resource endowment, this is an important test of the extent to which Kazakhstan's economy can be diversified away from exclusive reliance on oil.

BACKGROUND: At the time of independence, agriculture was a pillar of Kazakhstan's economy, and in 1991 employed over a quarter of the workforce. Kazakhstan had been a pastoral economy, although in the 1930s forced collectivization created a sedentary livestock sector. In the 1950s and 1960s the Virgin Lands program brought 25 million hectares (ie. over 60% of the current arable land) into grain cultivation.

By the 1980s Kazakhstan was exporting up to 10 million tons of wheat and around 300,000 tons of meat, 25,000 tons of milk and 150 million eggs a year to other Soviet republics. The cotton sector, concentrated in the south, was less important but accounted for a significant share of hard currency earnings.

During the 1990s output of all major farm products fell substantially. This was part of the economy-wide

transitional recession, but also reflected a sharp de facto policy reversal. In the Soviet era, agriculture had been supported by budget subsidies and favorable relative prices, as well as benefiting from fuel and transport subsidies which were not specific to agriculture but helped farmers more than most producers. The 1992 price liberalization led to an increase in the price of key inputs that was much larger than the increase in the price of farm outputs. OECD producer support estimates (PSEs) for Russia and Ukraine indicate substantial positive support for farmers up to 1991, then falling to roughly zero in



Wheat Harvesting in Kazakhstan

1992. Kazakhstan would have had a similar experience as budget support dropped rapidly and relative prices moved adversely. Long distance trade, such as the export of wheat and other grains and the transport of fodder for the livestock sector, were especially hard hit by the cessation of transport and fuel subsidies. Farm subsidies had disappeared by 1995, and the general policy stance towards agriculture was one of neglect as ministers focused on macroeconomic stabilization, privatization, and development of the petroleum sector.

By the turn of the century Kazakhstan's farm sector was in deep crisis. Privatization had generally led to little structural change, outside the cotton sector in the south. The large farms remained intact under the same management. As a result of adverse price movements and reduced subsidies, farms had fallen deep into debt, and this was exacerbated by drought conditions in much of the country in 1996-98.

Concerned about the decline of agriculture and buoyed by burgeoning oil revenues, the government began to increase support for agriculture. This was highlighted by the billion dollars allocated to the 2003-2005 Agriculture and Food Program.

IMPLICATIONS: Measures of assistance to agriculture, although difficult to estimate precisely, indicate a clear pattern of negative support in the 1990s which was reversed at some time in the early 2000s. Although the value of farm subsidies has been gradually increasing, the main driver of the change in support was a shift in the price gap between border and farmgate prices. Price distortions particularly hurt livestock farmers in the 1990s, but they have moved substantially in favor of livestock farmers since 2002. Even the export-oriented wheat sector was characterized by a negative price gap in the 1990s and early 2000s, probably explained by high costs of moving the wheat to the border. These high trade costs exceed normal transport costs, and were heightened by the red tape and the bribery and corruption which surrounded internal trade.

One problem with computing producer support estimates is that many important products had become essentially non-traded goods by the end of the 1990s, so that it is difficult to identify a 'world price' which can

be used as a relevant reference price. The number of livestock on large farms dropped dramatically between 1991 and 1998 – from 6.4 million cattle to 0.5 million, from 27.2 million sheep and goats to 1.5 million, from 2.3 million pigs to 0.1 million and from 40 million poultry to 9 million – while the numbers on small household plots remained steady, so that by the turn of the century most cows were in 'herds' of two to four head producing milk, cheese and meat for domestic use or local sale. Potatoes, the second largest crop after wheat, are largely grown for household or local consumption. In this context, it is difficult to measure price distortions due to uncertainty about the appropriate reference price to compare to the farmgate price in order to calculate the price gap.

Nevertheless, the general pattern of a shift to a positive price gap, especially for livestock products, is clear and it elicited a supply response. Output of all livestock products has increased substantially since 1999. The picture for grains is also positive, although the trend is less clear because of the volatility of the harvests. For cotton the output statistics are complicated by the extensive smuggling from Uzbekistan, where cotton prices are heavily regulated. Some of the positive farm output performance would have occurred inevitably as a rebound from the trough of 1998, but the improved policy environment helped.

One consequence of the internal orientation of agriculture was a failure to upgrade quality. Kazakhstan's farm exports are dominated by primary products while agricultural imports are increasingly dominated by processed products of perceived superior quality. Out of almost a billion dollars of agricultural exports in 2003, wheat and flour accounted for \$565million and \$60million, and the next biggest items were cotton (\$146 million) and hides (\$74 million). Agricultural imports are much less highly concentrated, including a wide range of better quality processed food items, mainly coming from Russia.

The AFP aimed to reverse these developments by encouraging not only greater agricultural output, but also an upgrading of quality. The livestock sector, for example, as it became concentrated on small plots lost the support of specialists who had been employed on the large state farms and the quality of breeding

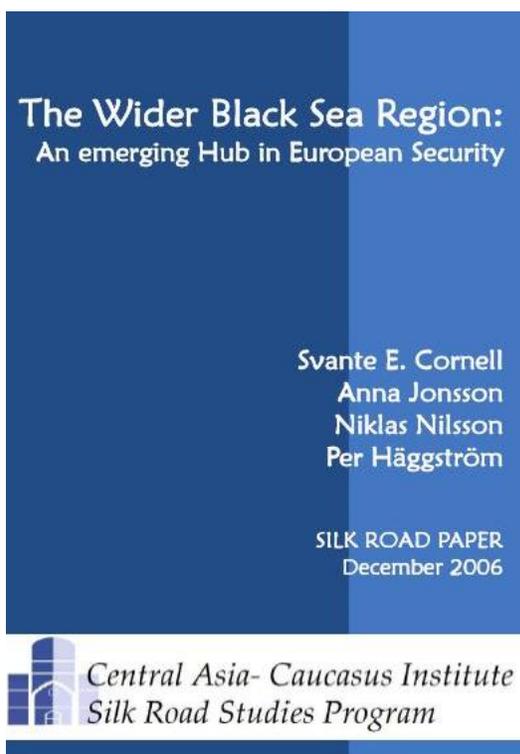
practices, veterinary services etc diminished. The AFP increased subsidies for such activities. However, much of the support to the livestock sector was channeled through a parastatal, Mal Onimderi Korporatsiyasi (MOK), which does not appear to have been a good institutional arrangement.

CONCLUSIONS: Kazakhstan's government neglected agriculture during the 1990s and the large farm sector suffered severe decline. In the 2000s the government has reversed this policy stance and has channeled substantial support to the farm sector. This is primarily fuelled from the country's oil revenues, and reflects concerns that the economy could suffer from Dutch Disease and see its non-oil sectors atrophy beyond recall.

The large assignment of support has reversed the negative price distortions faced by agriculture during the first decade after independence. Today farmers in Kazakhstan face prices substantially distorted in their favor - a distortion worth somewhere between 5 and 20 percent of the value of farm output. They also receive substantial support from the public budget.

These pro-farm policies in recent years have been associated with a revival of agricultural production. Output of most products has regained or surpassed pre-independence peaks. The sector still faces major challenges in upgrading quality and developing agro-processing capabilities. The emergence of modern supermarkets in the major cities is putting greater demands on the value chains that provide high (and reliable) quality processed foods, and a big question is whether domestic farmers can meet this challenge.

AUTHOR'S BIO: Richard Pomfret is Professor of Economics at the University of Adelaide in Australia and Agip Visiting Professor in International Economics at the Johns Hopkins University-SAIS Bologna Center in Italy. The research reported here was conducted as part of a World Bank project on agricultural distortions world-wide, and will appear as a chapter in a book *Distortions to Agricultural Incentives in the Transition Economies of Europe and Central Asia*, edited by Johan Swinnen and Kym Anderson.



New Silk Road Paper!

The Wider Black Sea Region: An Emerging Hub in European Security

by Svante Cornell, Anna Jonsson, Niklas Nilsson, and Per Häggström

This 120-page paper analyzes emerging role of the Wider Black Sea Region in European Security, and European interests there. It provides concise analysis of major challenges in the region, and policy recommendations for Europe's future policies there.

This 120-page paper is available from the offices of the Joint Center cited on the inside cover of this issue, or freely downloadable in PDF format from either www.cacianalyst.org or www.silkroadstudies.org.

PRESERVING THE STATUS QUO: KADYROV'S STAKE IN "OPERATION SUCCESSOR"

Kevin Daniel Leahy

The question of who will become the Kremlin's candidate to succeed Vladimir Putin to the presidency is already convulsing Russia's political class. At present, First Deputy Prime Minister Dimitri Medvedev, and Defence Minister Sergei Ivanov would appear to be the frontrunners in this succession race. For his part, pro-Moscow Chechen Premier Ramzan Kadyrov, has publicly stated his desire to see Putin remain in office well beyond 2008. This sentiment is understandable, given that Kadyrov's standing is closely tied to his personal relations with the Russian president. But how might Kadyrov be expected to relate to "President Ivanov" or "President Medvedev"?

BACKGROUND: Over six years since its inception, the impact of Russia's ongoing campaign in Chechnya on the Russian polity has been minimal. The conflict has found little resonance across Russian society at large, which, according to polls, tends to regard the conflagration as a vague, undefined irritant, altogether far removed from ordinary life. The Putin administration has proved remarkably adept at insulating Russian society from the tumultuous situation in the North Caucasus, and has successfully forged a broad political consensus on how the "Chechen problem" should be addressed. Policy-making regarding Chechnya has



Ramzan Kadyrov

become the preserve of the Russian president and a small group of influential advisors. While arguments within the Putinite camp concerning,

for example, the direction of Russia's economic policy sometimes bubble to the surface, no one within this constituency dares to offer so much as a single independent thought regarding the administration's Chechnya policy. It is, therefore, almost impossible to gauge how any pro-Putin politician of significance – Ivanov and Medvedev included – truly perceives Russia's current policy toward Chechnya.

Of course, cross-political unanimity frequently emerges when nations are faced with "threats to national security." During the conflict in Northern Ireland, for example, Westminster politicians – whether government MPs or oppositionists – readily sang from the same political hymn sheet when forced to address this troublesome issue, although they may have been at daggers drawn over other, arguably less urgent political matters. Therefore, Russia's prevailing political consensus on Chechnya, while perhaps remarkable in the wake of six years of unmitigated turmoil in the region, is far from unprecedented. The Kremlin's policy toward Chechnya has latterly been directed by a troika comprised of Putin, his Deputy Chief of staff, Vladislav Surkov, and the Presidential Representative to the Southern Federal District, Dimitri Kozak. It is widely believed that Surkov

functions as Ramzan Kadyrov's patron within the corridors of power; and while Kozak's attitude toward Chechnya's pro-Moscow premier is rather more ambiguous, both he and Surkov are united in their mutual devotion to Putin. This loyalty stems from a certain ideological affinity, as well as the stark realization that their future political prospects are dependent on the president's continued patronage.

It is uncertain whether Surkov and Kozak would figure quite as prominently under a different administration. Surkov, in particular, has fallen afoul of both Ivanov and Medvedev in recent months. Medvedev has taken issue with him over his bold expostulation of the concept of "sovereign democracy". Ivanov, meanwhile, has for reasons as yet unclear, attempted to tar Surkov and Kozak with the same political brush, eagerly revealing to the Russian media how both men served together in a secretive military unit during the 1980s. Thus, Surkov and Kozak – and by extension, Ramzan Kadyrov – figure to be among the biggest losers in any change of administration that might occur in 2008.

IMPLICATIONS: This analysis has direct implications for Chechnya. Ramzan Kadyrov's political ambition is gradually becoming increasingly unrestrained. By consistently demanding that Moscow cede control over Chechnya's natural resources to his government, he has quite brazenly thrown down the gauntlet to the influential siloviki clan. Furthermore, Kadyrov is demanding financial concessions for the republic, as well as an increased federal budgetary allocation, in order, he claims, to expedite the reconstruction of Chechnya's demolished infrastructure. Up to this point, Kadyrov's boisterous political behavior has been excused on the grounds of his close relationship



Sergey Ivanov

with Putin and Surkov. But let us imagine for one moment that either Ivanov or Medvedev becomes president in 2008. With Putin gone from the presidency, Surkov stand likely to be weakened or even dismissed. How would Kadyrov react to this hypothetical turn of events? Focusing on similar hypothetical scenarios, certain political theorists have previously suggested that Kadyrov might react rashly and turn against Russia.

In truth, the state of relations between the Chechen premier and the two presidential frontrunners is a matter of conjecture. Ramzan's dealings with both men have been limited. However, it is worth noting that any existing relations between him and Ivanov may have been strained somewhat by Putin's decision on December 21, 2005 to place the Defense Minister in charge of Chechnya's reconstruction efforts – a decision which was perceived in some quarters as an affront to Kadyrov. Overall, however, relations between Kadyrov and these two presidential aspirants can be most accurately categorized as ambiguous.

But perhaps this ambiguity is no bad thing. Kadyrov's present political injudiciousness can be attributed in large part to the manner in which he is handled by his Kremlin benefactors. Both Putin and Surkov tend to treat the Chechen premier with kid gloves, and are seemingly unperturbed by his consistently errant behavior on the political stage. Should these two luminaries depart from atop Russia's political Olympus in 2008, then Kadyrov's political position will become extremely tenuous.

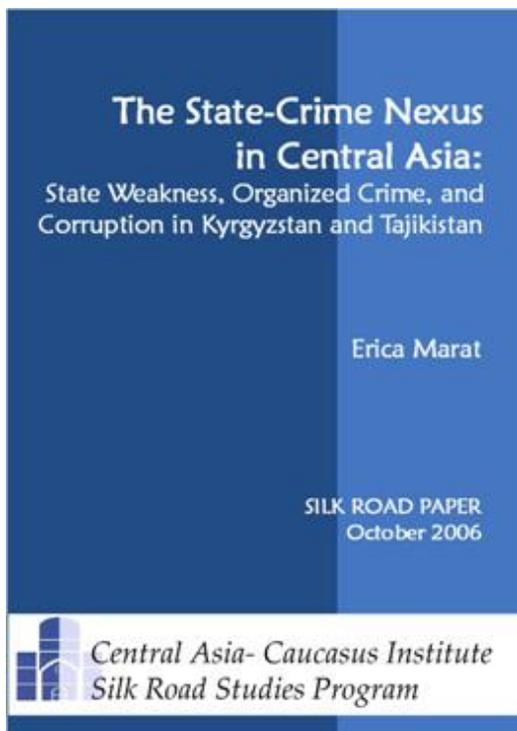
Kadyrov has long shown a prodigious aptitude for making enemies, both in Chechnya itself and in Moscow. As a result, Kadyrov would be left mortally vulnerable should the incumbent Putin-Surkov axis depart from the political arena in its current guise. But rather than provoke him into opposing Russia, this unsettling

interruption in relations between the Kremlin and its client regime in Grozny might induce Kadyrov to temper his characteristic impulsiveness and affect a more conventional political persona. However, it is by no means certain that Putin will leave office in 2008. If anything, the so-called “third term party” – of which Surkov and Kadyrov are paid-up members – is gathering strength, with almost 60 percent of Russians believed to be generally supportive of the idea of a third presidential term for Putin.

CONCLUSIONS: The prospect of either Medvedev or Ivanov ascending to the Russian presidency would be unlikely to be welcomed by Ramzan Kadyrov. Because of the definite (though hardly intimate) relationship he enjoys with the siloviki clan, Ivanov, in particular, would represent an undesirable interlocutor in the eyes of Kadyrov. A Medvedev presidency, meanwhile, would be similarly unwelcome in that the prevailing “rules of

the game” governing relations between Kadyrov and the Kremlin would likely be revised to a greater or lesser degree. In light of this analysis, Kadyrov’s advocacy of a third term for Putin is, politically speaking, entirely logical. Should Surkov and the “third term party” fail to convince Putin of the utility of remaining in office for a further four years, then it is likely that Kadyrov will quickly throw his political weight behind whichever alternative candidate this constituency puts forth. Indeed, Ivanov’s vaguely curious revelation about Surkov and Kozak’s shared history might indirectly indicate that Surkov has already begun the process of tapping alternative candidates. Kozak, incidentally, has previously been touted in certain quarters as a man with presidential pedigree.

AUTHOR’S BIO: Kevin Daniel Leahy holds a postgraduate degree in International Relations from University College Cork, Ireland.



New Silk Road Paper!

The State-Crime Nexus in Central Asia: State Weakness, Organized Crime and Corruption in Kyrgyzstan and Tajikistan

by Erica Marat

This paper analyzes the divergent forms that relationships between organized crime and the state have taken in the two worst hit Central Asian states in the past decade.

This 138-page paper is available from the offices of the Joint Center cited on the inside cover of this issue, or freely downloadable in PDF format from either www.cacianalyst.org or www.silkroadstudies.org.

KONDOPOGA, “RUSSIAN MARCH” AND AFTER: THE RUSSIAN AUTHORITIES’ RESPONSE TO THE RISE OF RUSSIAN NATIONALISM

Dmitry Shlapentokh

The riots in Kondopoga in Karelia and the November 4 demonstrations in Russia have marked the rising assertiveness of Russian nationalism. Responding to a changing intellectual and political climate in Russia, the authorities chose to accept more and more of the ideas of the Russo-centric form of Russian nationalism, which shed the Eurasianist family-type arrangement. These changes have possible internal and external implications. Most obviously, Moscow’s relationship with its citizens of Caucasian descent, not least in the North Caucasus, stands to be significantly affected.

BACKGROUND: The surprise and uneasiness with which the authorities faced the riots and demonstrations during 2006 can be understood by taking into consideration that nothing in Russian society had provided a clue for the events to come. Indeed, while there were signs of Russian nationalism spreading among the masses of ethnic Russians, for whom it had become a form of social animus, there was no sign of protests that could be violent and comparatively well organized.

All these signs of tranquility, and a general deep despise of the Russian masses, induced the authorities to ignore the signs of potential problems. It is clear that the events in Kondopoga of late August and early September 2006, were a serious shock for the authorities. The surprise was not just the scale of events - several hundred people were involved - but the level of organization. The locals had made an attempt to create a parallel power structure and directly related their grievances with the regime. The participants also tried to create a local militia of sorts to defend Russians from ethnic minorities, mostly those whom Russians call “people of Caucasian nationality”, people coming from the Caucasus. There was also an attempt to spread the upheaval to other cities.

The authorities, who had assumed that the only real danger was Muslim extremists, mostly from the Caucasus, now felt that they faced even bigger problems from the tide of Russian nationalists. And

they decided to take the initiative in their drive against “Caucasians,” whose presence in Russia was seen by the participants in the Kondopoga revolt as a major problem. Russia’s complications with Georgia provided the regime a needed excuse.

Russia’s relationship with Georgia became quite tense after the “orange revolution” that brought Saakashvili’s pro-American regime to power. It almost reached a breaking point after the arrest of a few Russians whom Georgia accused of spying. Putin used these events as an excuse for the arrest and deportation of hundreds of Georgian citizens. Georgians who were Russian citizens were also harassed, including such prominent figures as writer Boris Akunin and sculptor Zurab Tsereteli. Other people from the Caucasus were also mistreated, regardless of whether they were Russian citizens. Putin publicly announced that he understood the public concern with “illegal immigration” and that the state should pay more attention to “native (*korennoe*) populations,” an unmistakable reference to ethnic Russians. Still, despite playing the nationalistic card and with no sign of mass revolts, the authorities continued to be worried as the second anniversary of the November 4 celebration approached.

IMPLICATIONS: While constructing a new post-Soviet identity, the Putin regime has also been constructing a new past, which requires changing the country’s holidays. Following the models of the

Bolshevik regime in his early years, Putin replaced November 7, the day of the Bolshevik Revolution, the memory of which the regime wished to erase. He proclaimed November 4 a celebration of national unity, a kind of replica of the American July 4, related to the end of the "Time of Trouble" at the beginning of the seventeenth century. The first celebration, in 2005, was a disappointment for the authorities, for instead of national unity it demonstrated the strength of the nationalistic animus. This was an embarrassment for Putin, who tried to advertise Russia as both a civilized Western



country and a friend of Muslims. Now, after the event in Kondopoga, they saw in the nationalist march not just an embarrassment but a potentially serious threat, especially in Moscow: a repetition of the fall 1993 scenario when a motley crew of rebels challenged the very existence of Yeltsin's regime.

The authorities first tried to forbid what the organizers called a "Russian march." When they realized it would take place anyway, they made serious preparations. Thousands of riot police were assembled; according to some rumors, regular troops and even tanks were ready. The crowd that participated in the demonstration was smaller than in 2005 but apparently much more hostile to the government, screaming "Russians!" to show defiance. The crowd was also clearly against all

people of "Caucasian nationality," that preferred not to show themselves on the streets.

The continuing strength of the nationalists, their ability to organize, and the fact that not just elderly (as in the "Red - Brown" demonstrations of the Yeltsin era) but young folk participated not only alarmed the authorities but also reinforced the increasing streak of Russian nationalism among the elite. While Vladislav Surkov, Putin's Deputy Chief of Staff, a major regime ideologist, and a Chechen on his father's side, proclaimed in his

theory of "sovereign democracy" that Russia belonged to all ethnic groups of the state, an increasing portion of the Russian elite seems to be moving in the direction of seeing the Russian Federation as primarily a state for ethnic Russians, and where the presence of non-European-looking people should be reduced to a minimum. And those who live in the Federation, even as Russian citizens, should understand that they live not in the state of a "Eurasian" brotherhood

of "Rossiane," but in the state of ethnic Russians, unquestioned masters of the house. Moreover, this new Russian nationalism is Russo-centric in the sense that it is free of not only any "Eurasianism" but even of traditional Slavophilism. This increasing sense of Russian nationalism has implications for Russian internal and foreign policy. The repercussions on internal policy were immediate after the November 4 Kondopoga riots. Soon afterward, a government decree promised to minimize the presence of "foreigners" - people from Central Asia and the Caucasus - in the markets. Some "Caucasians" in the market could well be Russian citizens. Still, the general "anti-Caucasian" drive could complicate even their situation. Moscow also brushed off the recent demands of local

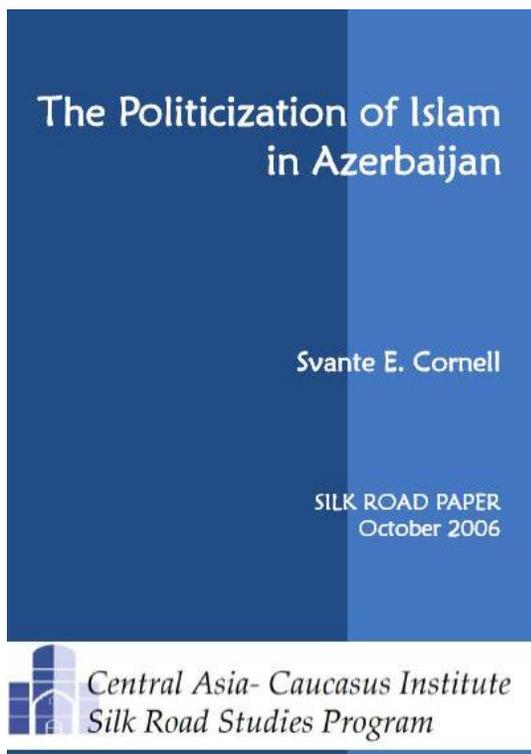
Chechen authorities to calculate the damage inflicted on Chechnya by Moscow during the long war, which implied that Chechnya had existed as an independent or semi-independent political entity. Still, while increasing the pressure on Muslim minorities, Moscow is moving cautiously, avoiding direct confrontation.

At the same time, Moscow's Russo-centric nationalism became much bolder in foreign affairs, using oil and gas supplies as its major weapon. Oil and gas prices have risen sharply not just for geopolitically ambivalent Azerbaijan but even friendly Slavic Belarus, challenging the very nature of a "Eurasian" commonwealth, with Russia as a friendly power generously sharing oil and gas largesse with friendly states.

CONCLUSIONS: The series of events - the Kondopoga riots and the "Russian march", as well as the government's response - indicate not only the increasing dissatisfaction of the disfranchised Russian populace with economic arrangements manifested in libidinous hatred of non-European-looking minorities, mostly those of "Caucasian"

nationality, but also has stimulated an evolving Russian elite in the direction of a Russo-centric state. In such a state, its relationship with its neighbors, whether from the Caucasus, Central Asia or even Slavic Belarus, would be based on pragmatic imperialism rather than a loose "Eurasianism," which implies a broad autonomy for the players. Response to the pressure could, of course, be manifold, ranging from complete submission and possible direct incorporation in Russia to resistance to pressure, as is evident by the increasing gravitation to each other by Azerbaijan and Georgia. The response in Russia proper could also be manifold and depend on the level of pressure. While the official pressure on minorities from the Caucasus who are Russian citizens is still moderate, its increase could lead to new inter-ethnic tensions with the spread of underground Islamic extremism as a possible scenario.

AUTHOR'S BIO: Dr. Dmitry Shlapentokh is an Associate Professor of History at Indiana University, South Bend.



New Silk Road Paper!

The Politicization of Islam in Azerbaijan

by Svante E. Cornell

This 75-page Silk Road Paper analyzes the increasing Islamic revival in Azerbaijan, as well as the potential for politicization of Islam. The report discusses the background and reasons for increasing Islamic sentiment in the country, as well as external influences linked to this phenomenon and government policy toward the issue.

The paper is available from the offices of the Joint Center cited on the inside cover of this issue, or freely downloadable in PDF format from either www.cacianalyst.org or www.silkroadstudies.org.

THE STORY GOES ON: KYRGYZ TANDEM BREAKS UP, KULOV OUT OF POWER

Nurshat Ababakirov

Amid the political confrontation between the legislative and executive branches the president emerged not only as an arbiter, but also as a winner. The new constitution passed on the eve of the New Year empowered the president again. He managed to handle the vociferous parliament, and freed himself from the tandem with Felix Kulov, the former prime minister and his political rival, appointing to the premiership a more loyal and less politically ambitious figure to handle mounting economic issues. Yet, how well President Kurmanbek Bakiev will act on the new political scene with his apparent dominance and a very fragile economic ground, remains to be seen.

BACKGROUND: In late December, the government resigned, catching most analysts by surprise, not least the parliamentarians of the country. Former prime minister Felix Kulov explained this by pointing to the “unbearable” confrontation between the parliament and government, growing after the November rallies, which aimed to force the president to embark upon constitutional reforms. The protests were staged by opposition parliamentarians and other civil activists, while Kulov, whose position was critical on the matter, unabashedly appeared supportive of the president’s rigid position.

With the resignation of the government on 19 December, Felix Kulov intended to trigger the dissolution of the parliament, so that a new parliament, half elected by party lists and the other by

single constituency mandates, would form a new government, ensuring the full work of the new constitution and a “consensus” between the executive and legislative branches. However, primarily owing to the unwelcome prospect of its dissolution, and identifying the situation as a matter for the legislature, parliamentarians found this unnecessary and chose instead to rewrite the constitution. This was exacerbated by stark contradictions in the text of the existing constitution, and lack of provisions about a transitional government.

As the legal impasse as to whether to amend the constitution loomed large, the president revealed that he would decide upon the “fate” of the ostensibly fragmented parliament, which was neither willing



Bakiev: Victorious?

to vote for early elections, nor able to promptly respond to the matter. Thus, after several discussions with speaker of parliament Marat Sultanov and with the president, pro-Bakiev parliamentarians went along with the president's preferences. They passed further amendments to the constitution, addressing not only its shortcomings, but also enhancing the power of the president. Unlike in the constitution passed in November, the president regained his power to build a hierarchical administration with secure control over law-enforcement and security agencies.

Appearing bound by their previous agreement, President Bakiev proposed Kulov to the premiership, but the parliament turned down his candidacy two times, apparently not being in favor of the president's choice that just recently had put them on the verge of dissolution. The president's position seemed little different from parliament's. The fact that the president proposed Kulov's candidacy through his representative in the parliament rather than in person left an impression that the president symbolically allowed loyal parliamentarians to reject Kulov's candidacy. And the fact the Ishak Masaliev, the head of the parliament's committee on constitutional legislature and a modest pro-Bakiev parliamentarian, adamantly rejected the legal basis for the repeated consideration of the same candidate, put Felix Kulov in a difficult situation and caused doubts about the president's commitment to the 'tandem.' Also, many came to agree that Kulov's candidacy would have passed if the president had personally proposed him. Nevertheless, the president's final choice lay on a more loyal and less politically ambitious candidate, Azim Isabekov, the minister of agriculture, water resources, and processing industry, whose career advancement was closely matched to Bakiev's rise to power.

IMPLICATIONS: In general, as prime minister, Kulov appeared a more active politician than President Kurmanbek Bakiev since they came to power. By calling for negotiations and robustly supporting the president during the November rallies with more than a dozen thousand people on

the main square showing discontent with the president with the risk of civil war looming, Kulov ensured that the situation would not spin out of control. Notably, he appeared at media outlets debating more with the opposition than with the president, whose image in its turn was rather associated with giving official speeches and awards. In spring 2006, criminal boss Rysbek Akmatbaev's has initiated an onslaught on Kulov for alleged involvement in the death of his brother, Parliamentarian Tynychbek Akmatbaev. Moreover, as prime minister, Felix Kulov was the only figure taking "personal" responsibility for the impact of the HIPC Initiative on the economy of the country.

It seems that the 'tandem' was already undermined when President Bakiev opted to sign the amended constitution enhancing his power, rather than to support the initial intention of Felix Kulov to trigger early parliamentary elections. According to Kulov's statements, "We [the President and the Prime Minister] have anticipated the parliament's vagueness" and "the president promised to propose my candidacy over and over" showed his confidence in once again becoming prime minister.

However, the president drastically changed his position, when faced with the prospect of apparent political advantages. First, Bakiev found that this sort of opportunity to "peacefully" break up the 'tandem' with his rival with the direct involvement of parliament might not return in the future. Apparently, it was now easy for him to transfer blame for the dissolution of the 'tandem' on Kulov's adverse relations with parliament. Second, Bakiev has a chance to form more loyal government, reducing the importance of parliament's opinions until the next elections, scheduled for 2010, when the winning party in the parliament will form the government. Third, the president hardly sees Kulov as being in line with the opposition, which otherwise would be a considerable political challenge for the president. Kulov's relationship with the opposition became murky during the November protests, where the opposition leaders were also calling for the resignation of Felix Kulov

from the premiership as a “traitor” given his support of the president.

Opinions over the impact of the end of the ‘tandem’ on the political environment vary. Some voices imply that Kulov undermined his political reputation by repeatedly striving for the premiership after his resignation. Others contend that the president’s uncompromising position is likely to lead him to lose the confidence of his own supporters, or that the president has in effect presented the opposition with a charismatic leader that it had lacked. Nevertheless, most analysts concur that this split will have a negative influence on the political environment.

CONCLUSIONS: Given the fact that he controls a majority in the parliament, now has a loyal and economy-oriented prime minister, that the

government will operate without the parliament’s consideration until 2010, and that the law-enforcement agencies are back under his control, the situation highly favors the president. However, with a less independent prime minister, Bakiev may become seen as increasingly responsible for the likely failure of highly risky economic issues, such as the pressing deadlines for repayment of the country’s \$2 billion foreign debt, the privatization of hydropower stations, and the reconsideration of contracts with gold mining companies. How long the new prime minister will keep his seat is unclear, but as the history of Kyrgyzstan has showed, he is likely to be the first to leave as soon as economic problems start causing public discontent.

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FIELD REPORTS

NEWMONT MINING - o, UZBEKISTAN - I *Benjamin Abner*

Uzbekistan's state property exchange said in a statement On February 5 that it will auction off the assets of U.S.-based Newmont Mining Corporation on March 2. Newmont has operated a gold mining facility in the Kyzylkum desert since shortly after Uzbekistan's independence. In 2006 Uzbekistan served Newmont with a \$48 million tax bill and declared the company bankrupt. Uzbekistan's actions fit a wider trend of governments maneuvering to increase their control over national extractive industries.

The Muruntau mine, one of the largest open pit gold mines in the world, lies 250 miles west of Tashkent, near the city of Zarafshan. Under excavation by the Soviet Union since 1969, Newmont Mining Corporation's involvement began in 1990 when a Newmont geologist joined the first group of Western experts to visit the mine. Newmont was the first overseas company to enter into a joint venture in any part of the Former Soviet Union when it signed an agreement with Uzbekistan in February 1992. The Zarafshan-Newmont joint venture broke ground in October 1993 and poured its first gold bullion in May 1995.

Until 2006, the Newmont joint venture represented the largest direct foreign investment in Uzbekistan with some 800 employees and more than \$500 million in payments to the Uzbek government since its inception. The company enjoyed good relations with Uzbek president Islam Karimov's government. Under the auspices of a governmental decree, the Newmont venture enjoyed tax privileges and a "regime of special favor" and during his 2002 visit to

Washington, Karimov met with Newmont's Chairman and CEO, Wayne Murdy.

In March 2006, Uzbekistan informed Newmont that tax laws would be changing. In June, Newmont received a \$48 million bill for back taxes from 2002-2005. Newmont challenged the bill in an Uzbek court and on August 2, 2006 the court ruled in favor of the tax authorities, seized the company's assets and halted gold exports. On August 8, Newmont filed an appeal with Uzbekistan's High Economic Court arguing that the retroactive application of new tax legislation violated former agreements. On August 10, Newmont was declared bankrupt and the following day the Uzbek government opened criminal investigations into Newmont. The joint venture's creditors, the European Bank for Reconstruction and Development, froze the company's bank account and Newmont declared in a report to the U.S. government that it "no longer has day-to-day control" over its operations.

Some sources place Uzbekistan's de facto expropriation of Newmont's assets in the context of wider purges of Western companies and organizations in the country. Since a government crackdown in Andijon in May 2005, relations between Uzbekistan and the West have been strained, particularly between Tashkent and Washington. Many NGOs have been forced to leave the country and numerous foreign companies have been forced to pay higher taxes or cease operations.

Other sources suggest that simple economics are at play. Corruption and tax evasion have resulted in



Newmont's Zarafshan mining complex (SPG Media Group)

low tax receipts and Karimov's government is in need of hard currency. Gold prices have been high in recent years and a takeover of foreign-owned assets represented a lucrative opportunity. Of course, these two motivations are not mutually exclusive.

Regardless of Tashkent's intentions, the dispute between Newmont and the Uzbek authorities has taken on an international dimension with implications for foreign direct investments in Uzbekistan in general and the global extractive industry in particular.

Newmont has filed international arbitration claims against Uzbekistan in two separate venues. The first claim was filed in the International Centre for Settlement of Investment Disputes in Washington, D.C. and the second claim was docketed at the Arbitration Institute of the Stockholm Chamber of Commerce.

Even if the two international tribunals find in favor of Newmont Mining, it is unlikely that Uzbekistan will enforce the foreign awards. Although Uzbekistan's law on guarantees and measures of protection of the rights of foreign investors provides

for international arbitration, the Uzbek Constitutional Court said on November 20, 2006 that the wording of the law "is not an expression of consent" to arbitration. If Uzbekistan does not carry out the rulings of international arbitration tribunals, it will be a clear sign that foreign investments enjoy little protection in the country.

Extractive industry and foreign investment periodicals have already taken this view. Frontier Strategy Group, a global consulting and research firm recently downgraded Uzbekistan's investment climate rating to the lowest level possible, naming the country as one of the 'worst places to invest' in 2006. Other industry news sources say that Tashkent's actions are indicative of a wider trend in governments increasing their control over national extractive industries. Thomas Johnson of Covington and Burling LLP, Newmont's legal counsel, also represents investors who have filed claims against the Russian government for forcing the sale of the Yukos oil company's assets in order to recover past-due taxes. Yukos was declared bankrupt in 2004, its assets were seized in 2006 and it was announced last week that they would be put up for auction throughout 2007.

HIPC IN KYRGYZSTAN IS DOOMED TO FAIL

Erica Marat

Following the resigning of the Kyrgyz government in December 2006, the World Bank's and the International Monetary Fund's (IMF) Heavily Indebted Poor Countries (HIPC) initiative is likely to fail in Kyrgyzstan. On February 2, recently appointed Prime Minister Azim Isabekov announced that HIPC will require serious reconsideration once he forms a new government. Today most government officials, the parliament, and civil society groups speak against the initiative.

Although the HIPC's main goal is to write off part of Kyrgyzstan's external debt and reform economic and administrative sectors, the initiative has turned into a matter of international cooperation preferences and domestic disputes over the national identity.

On the international level, the initiative is potentially harmful to Kyrgyzstan's relations with Russia. According to Andrey Grozin, representative of the Moscow Institute of the Commonwealth Independent States (CIS), the HIPC is against Russia's interests. The initiative will allow a greater involvement of the West in Kyrgyzstan's economy, and therefore curb Russia's leverage in the country. Although officially Russia has supported the HIPC in Kyrgyzstan, it is unlikely that Kyrgyz President Kurmanbek Bakiyev would risk relations with Moscow if any disagreements still remain.

Former Prime Minister Felix Kulov signed a letter of agreement with the HIPC in December 2006 despite pressure stemming from the parliament and civil society groups. However, after the parliament declined his candidacy in January, he called off his signature.

Parliament Speaker Marat Sultanov argues that HIPC cannot be considered in Kyrgyzstan because the initiative reduces the Kyrgyz government's shares in key economic sectors. A number of top officials consider the proposed debt-relief plan as insufficient. They claim that instead of \$500-700

millions, at least half of Kyrgyzstan's \$2 million debt should be written off.

Representatives of the World Bank's Bishkek office argue that HIPC offers a unique opportunity for the Kyrgyz government to reduce external debt and implement vital economic and administrative reforms. World Bank representatives also argue that HIPC in Kyrgyzstan has been considered under highly advantageous positions. Previous HIPC clients were granted less favorable conditions. Besides, Western observers claim that the role of the international donor community in alleviating poverty in Kyrgyzstan has been largely underestimated both by the government and society.

Some Kyrgyz experts argue that the HIPC is not favored by the government because of the requirement to reform the energy sector. Today, Kyrgyzstan's energy sector represents a core part of the national economy and is arguably a major source of large-scale corruption. According to newspaper *Bely parohod*, the involvement of the international community in the energy sector will curb sources of illegal profit to some Kyrgyz officials.

As it became evident that the HIPC's chances in Kyrgyzstan are slim, local civil society groups are rejoicing their victory over the international community. A number of NGOs have actively opposed the initiative since summer 2006. A few dozen Kyrgyz students participated in street demonstrations in Bishkek and wrote numerous articles in the local media against the HIPC. Their main concern was that electricity tariffs not be increased and that international financial institutions would only damage Kyrgyzstan's economy under the initiative.

The HIPC's opponents' critique also contains nationalist undertones, claiming that the World Bank and the IMF's pervasive engagement into local affairs undermine Kyrgyzstan's sovereignty.

The fact that many poor African states implemented HIPC and that Kyrgyzstan is the first CIS member to be considered under the initiative also fueled local nationalist moods. Both the government and parliament used civil society's activism to show how the population opposes the initiative.

Anti-HIPC activists propose various controversial projects as an alternative. Their proposals range from mobilizing the entire population to pay off the external debt that comprises roughly 125 percent of Kyrgyzstan's GDP, to suing all former and current officials who have ever agreed to take foreign credits. As one economist from the Kyrgyz government observed, "As a public official it takes me a lot effort to evaluate the real costs and benefits of the HIPC, I'm not sure if an average citizen can fully understand what it is all about". Along with

such nationalist outcries, neither the government, nor the parliament came up with a sober economic project to relieve the external debt and reform the energy sector.

Although the Kyrgyz government is yet to announce its official decision on the HIPC, the initiative is likely to be rejected. Pervasive corruption in public structures and the government's reluctance to reform the energy sector are arguably the main reasons for the anti-HIPC moods. The parliament's fear of losing support because of increased electricity tariffs is an additional reason. Society's concern about being placed on the same rank as some of the poorest African states has also fueled the anti-HIPC debate. Today it seems that no one in Kyrgyzstan is in favor of the HIPC, yet everyone has a unique reason to oppose it.

NEW WAVE OF VIOLENCE IN SOUTH OSSETIA

Kakha Jibladze

A new wave of violence in South Ossetia has sent both Tbilisi and Tskhinvali into a new stage of finger pointing. While the central government is trying to build trust with the local population through a series of populist measures, the continued violence is overshadowing their efforts.

On February 3, two civilians were reportedly injured in the latest round of attacks in the conflict zone over the past few weeks. South Ossetian de facto authorities are blaming Georgian forces for starting the attack, which resulted in one Ossetian being injured, while officially Tbilisi is blaming the separatists for starting the mortar fire that led to one ethnic Georgian being injured.

The past week was underscored by such attacks: three to date and all unresolved with both sides blaming the other.

On Sunday, the Ossetian separatist government issued a statement claiming ethnic Ossetian villages

"came under heavy fire" from Georgian-controlled villages in the conflict zone and the Ossetians only returned fire. According to the de facto government's interior minister, militants in the separatist republic are on orders not to "fire at the villages," implying the attack was obviously the work of the Georgians. Tbilisi has refuted all allegations and claims the firing started from Tskhinvali, which is controlled by the separatists.

The timing of the escalating violence is intriguing. Two weeks ago, Georgia officially released information concerning a year-old case against an alleged uranium smuggling ring that operated through the porous borders that define the breakaway region between Georgia and Russia. South Ossetian de facto authorities were quick to deny that any uranium could have been transported through the region. However, according to Georgian officials, the suspect - a North Ossetian - traveled through the border between South Ossetia



and North Ossetia to meet an undercover Georgian agent and sell the uranium. The U.S. government is also accusing the South Ossetian de facto authorities of allowing criminal activity to flourish: reportedly \$42 million in counterfeit \$100 bills have been found circulating in Los Angeles and other cities in America; authorities have allegedly tracked them down to a source in the Tskhinvali region.

Both accusations fit nicely with the Georgian government's requests for international police and peacekeeping forces to be dispatched to the conflict zones, in spite of the fact that de facto authorities in both South Ossetia and Abkhazia have refused to consider the option. On Monday, February 5, an official from the separatist government restated their demands to maintain the current, Russian-led format of peace negotiations. Speaking from Moscow, Dmitri Medoev decried the Georgian proposal and stressed that "Russia, as a major guarantor, cannot be excluded from the process. Russia is a major country in the Caucasus and Georgia has to take Russia's position into consideration".

Due to the increase in tensions, the first real acts of the new and other alternative government based in the conflict zone have gone relatively unnoticed. The second unrecognized government, widely believed to be supported by Tbilisi, announced on January 31 that it will initiate a program to support

the development of small and medium size businesses. They have not announced any details to date, although their announcement coincided with a new program led by the central government to give villagers in Georgian controlled territories a one-time payment of \$100.

President Mikheil Saakashvili has stated he will travel to the Didi Liakhvi and Patara Liakhvi gorges within the contested territory to deliver the payments himself. No date for the program was announced. Earlier in January the alternative government announced it would purchase all of the mandarins that Ossetian traders lost due to the ongoing Russian embargo on Georgia.

The ongoing violence in South Ossetia underscores the need for real policing in the area. While some Georgian officials accuse the separatist government of instigating the incidents itself, others maintain that the region is so uncontrolled that the de facto authorities in Tskhinvali are unable to maintain the rule of law in areas they control. Regardless of the cause, an international force with representative countries in addition to Russia could add a measure of calm and security to the region for the civilians living there.

While the president's plan to give aid to the villagers in the poverty stricken territory is not inherently bad, it does not facilitate any long term gain for the people living in the conflict zone - or establish any long lasting roots for real trust between Tbilisi and ethnic Ossetians. The Georgian parliament has passed a law regarding restitution for both Ossetians and Georgians who lost property during the violence that led up to the conflict between Tbilisi and Tskhinvali in the early 1990s. The correct implementation of that plan in a timely manner would likely be a much more efficient mechanism to build trust.

NEW PRIME MINISTER CHOSEN IN KYRGYZSTAN

Joldosh Osmonov

Kyrgyz Parliament approved acting Minister of Agriculture, Water Resources and Processing Industry of Kyrgyzstan Azim Isabekov on Prime Minister's post. His ascension put an end to "President Bakiev-Prime Minister Kulov" political tandem existed since May of 2005. Most politicians and experts agree that the new Prime Minister is a temporary figure and is likely to play a technical role under President Bakiev.



Azim Isabekov

On January 29, acting Minister of Agriculture, Water Resources and Processing Industry Azim Isabekov became the new Prime Minister of Kyrgyzstan. 57 of the 61 deputies who participated in the voting supported his candidacy. Many politicians feel that Azim Isabekov is a "technical" Prime Minister, meaning that he is under the total control by President Kurmanbek Bakiev. "Azim Isabekov will play a technical role under the

President. If we look at his biography we find that he is a person of the President, therefore Bakiev trusts him," noted Deputy Speaker of Parliament Erkin Alymbekov.

Most politicians and political experts believe that Isabekov is a temporary figure. Parliamentarian Bolot Sherniyazov said the President needed a temporary and weak person whom he could manipulate during these harsh times, when the problem with the HIPC Initiative is not yet resolved, and while the issue of privatization of the energy sector and other strategic objects is still being discussed. The new head of government, Sherniyazov stated, is a "kamikaze" because he will be responsible for all these things. To the question why Isabekov was chosen, Sherniyazov noted that the fact that Isabekov is northerner (unlike southern Bakiev) also played a significant role in choosing him as a candidate for the post.

Outlining the main directions of the new government's work, the new Prime Minister noted that his team will mainly focus on the development of Kyrgyzstan's economy. "The attention of the new government will be concentrated only on the economy. Our President put before me the main task - to solve economic problems," said Isabekov during his speech in Parliament on January 29. Isabekov mentioned fighting corruption and agricultural development as the new government's priorities.

On February 6, after long discussions and hot debates in Parliament, a new government structure was approved by legislators. A draft of the government structure has been recalled several times and as a result, a revised and compromise version of the government's structure was eventually supported by Parliament. Right after the government's approval, Prime Minister Isabekov

promised to form a new government in the next two days.

Azim Isabekov is considered to be one of the closest allies of the President. He was born in Chuy oblast and worked in this region for most of his career. It is notable that Isabekov worked under Bakiev's supervision when the latter was governor of the Chuy oblast, until 2000. After the March events in 2005, Isabekov was appointed first deputy head of the Presidential Administration. From May 2006, he worked as a Minister of Agriculture, Water Resources and Processing Industry.

Isabekov's candidacy was offered by the President after Parliament refused to support Felix Kulov's nomination for the post for a second time. Despite Kulov's confidence that the President would nominate him again and again until finally approved, Bakiev refused to nominate Kulov for a third time. It seemed that Kulov did not expect such actions from Bakiev. "What can I say about a person who does not respect his promise?" said Kulov in one of his interviews. It is noteworthy that Kulov stated numerous times that the President promised to nominate his candidacy for this post until his candidacy was finally passed.

Opposition politicians say that the President just sought to get rid of his main political opponent, with whom he was forced to co-habit, sometimes uneasily, during the last two years. The President, opposition leaders stress, could easily have received approval for Kulov had he really wanted it. "If the President wished Kulov to be Prime Minister, it would be that way. Bakiev has the support of 50 deputies in the Parliament [our of 75 seats, some of which are vacant] and they will do whatever the President will say", said Parliament member Azimbek Beknazarov in his interview to AKIpress news agency.

Some political experts warn that Kulov's leaving government will cause the exacerbation of the country's political situation. "I think that a war between regional, clan and political groups will start in the country," stated Kyrgyz political expert Nur Omarov. However, few people think this way. Despite many opinions saying Kulov will become the main opposition leader in Kyrgyzstan, most political experts conclude that he, and his political party, "Ar Namys", will conduct a moderate opposition against the Kyrgyz government.

NEWS DIGEST

KYRGYZ PARLIAMENT VOTES TO REJECT KULOV'S REAPPOINTMENT

25 January

The Kyrgyz Parliament voted 25-38 in a secret ballot on Thursday to reject President Kurmanbek Bakiyev's proposal to reappoint Felix Kulov as the country's prime minister. Kulov needed to win the votes of 38 of parliament's 75 members to keep his post. The Kulov-led government resigned on December 19, 2006. The new Constitution adopted by the Kyrgyz Parliament on December 30 gives the head of state the right to appoint the country's prime minister with parliament's consent. (Interfax)

VISITING IRANIAN MINISTER SAID TO PLEDGE COOPERATION WITH TAJIKISTAN.

25 January

Speaking to reporters in Dushanbe, Tajik President Imomali Rakhmonov reported on January 25 that his meeting with visiting Iranian Education Minister Mahmud Farshidi resulted in an agreement on Iranian assistance and cooperation in the fields of science, education, and culture, Asia-Plus reported. Farshidi reportedly added that Iran will provide particular assistance in expanding cooperation in the education and technology sectors, and said that Tehran wants to increase the number of exchange students between Iran and Tajikistan. Farshidi also announced that Iran has donated nearly 400,000 textbooks for use in Tajik secondary schools. Tajik Education Minister Abdujabbor Rakhmonov announced that the Tajik government has allocated land for the construction of a new joint Tajik-Iranian educational institution, to be funded by Iran's Education Ministry, and welcomed the plan for the coming academic year for a quota of 100 places for Tajik students to study at Iranian institutions of higher learning focusing on natural sciences, health care, and energy. (Asia-Plus)

ACTING TURKMEN PRESIDENT PROMISES INTERNET ACCESS FOR ALL

25 January

Acting Turkmen President Gurbanguly Berdymukhammedov pledged on January 25 to provide every family in Turkmenistan with a "mobile phone and access to the Internet." Berdymukhammedov, a candidate in the presidential election set for February 11, added that "the installation of telephones in every part of Turkmenistan will be completed by 2015" and said the country will have its first electric train in the coming year, in line with a plan by late Turkmen President Saparmurat Niyazov. Berdymukhammedov, who worked as a dentist before becoming a deputy prime minister and health minister, was appointed interim president on December 21 and has emerged as the front-runner in the race to succeed Niyazov. (ITAR-TASS)

ALKHANOV DISMISSES SPECULATION ABOUT EARLY RESIGNATION

25 January

Chechnya's President Alu Alkhanov said that he will not run for a second term but that his early resignation is not being considered. "Concerning plans for a second term, I personally have not made such plans. This is my own wish, my decision," Alkhanov told Interfax on Thursday. Alkhanov said that his term would expire in August 2008. "As for speculation about my early resignation, it is groundless," the Chechen president said. (Interfax)

AZIM ISABEKOV TO BE NOMINATED AS KYRGYZ PM - PRESIDENTIAL PRESS SERVICE

26 January

Kyrgyz President Kurmanbek Bakiyev has taken a decision following his consultations with the leaders of parliamentary factions on Friday morning to nominate Azim Isabekov as a candidate for the post

of the country's prime minister, the head of state's press service reported. Isabekov is currently serving as acting agriculture minister. (Interfax)

KAZAKHSTAN PLANS TO COMPLETE WTO ACCESSION TALKS IN 2007

26 January

Kazakhstan will complete talks on its accession to the World Trade Organization in 2007, the Kazakh government and National Bank said in a joint statement published on Friday. "2007 will see the completion of bilateral negotiations with all member-countries of the working group responsible for Kazakhstan's accession to the WTO," says the statement, which addresses the country's economic and social policy targets for 2007. An action plan will be formulated to put in place a system to assess safety risks and control the quality of agricultural and industrial products, in compliance with international requirements as Kazakhstan prepares to join the WTO, the document says. The Kazakh government will also continue implementing its 2006-2010 program to ensure the sustainable development of the country's agricultural and industrial sectors, it says. (Interfax)

THREE VOLGOGRAD REGION POLICEMEN WOUNDED IN CHECHNYA

26 January

Three police officers from the Volgograd region were wounded when their checkpoint outside the Chechen village of Chiri-Yurt on the bank of the Argun River came under fire at around midnight, a spokesman for the Chechen Interior Ministry told Interfax on Friday. The as yet unidentified attackers were armed with under-barrel grenade launchers and automatic weapons, he said. The assailants and policemen traded fire for about ten minutes. A man tried to detonate a grenade when police officers were searching his house in the village of Endrei in Dagestan's Khasavyurt district, a source in law enforcement told Interfax-AVN. The man was killed when policemen opened fire to stop him. A grenade, two 200-gram TNT blocks and 20 books promoting Wahhabism were found in the man's house. A man suspected of membership in militant leader Hattab's armed group between May and June 1997 was detained in the village of Osman-Yurt, in the Khasavyurt district. A resident of the village of Tsotsy-Yurt turned himself in to police in Chechnya's Kurchaloi district, admitting to having been a member of an armed group since October

1999 and participated in attacks against federal troops, the source said. (Interfax)

COURT REJECTS VILLAGER'S CLAIM FOR DAMAGES AGAINST DEFENSE MINISTRY

26 January

Moscow's Presnensky Raion Court rejected on January 25 the first of 42 claims filed by residents of the village of Borozdinovskaya in northeastern Chechnya against the Defense Ministry, the daily "Kommersant" reported on January 25. Each of the plaintiffs is demanding 3 million rubles (\$113,000) compensation for material damage incurred during a search operation conducted in June 2005 by members of the Defense Ministry's Vostok battalion. The Moscow district court noted that the Chechen government has already made compensation payments of 350,000 rubles to the owners of four houses in Borozdinovskaya that were burned down, while the remaining households received 200,000 rubles. (RFE/RL)

GEORGIAN PRESIDENT REAFFIRMS READINESS FOR DIALOGUE WITH RUSSIA

27 January

In an interview with Ekho Moskvyy pegged to the third anniversary of his inauguration as president of Georgia, Mikheil Saakashvili said Georgia is ready to offer Russia "our friendly attitude and readiness for dialogue." "You will find us pragmatic and flexible interlocutors if you [agree to] talk to us," he added. He said the governments of both countries bear "great responsibility" for not destroying the "tradition of friendship" between them. In the same interview, Saakashvili described as "normal" Georgia's demand that Russia legalize trade at two border-crossing posts with the unrecognized republics of Abkhazia and South Ossetia. Georgia does not control those border crossings, and pegs its approval of Russia's bid to join the WTO to their legalization. Saakashvili further said that Georgia will not resort to the use of military force against Abkhazia and South Ossetia, and that he advocates the "broad federalization" of Georgia and "almost total self-government" for the two unrecognized republics. (Caucasus Press)

KYRGYZ PARLIAMENT APPROVES ISABEKOV AS PRIME MINISTER

29 January

The Kyrgyz parliament today overwhelmingly confirmed Azim Isabekov for the post of prime minister, RFE/RL's Kyrgyz Service reported.

Isabekov, who has served as agriculture minister since May, was President Kurmanbek Bakiev's second nominee -- the parliament has twice rejected outgoing Prime Minister Feliks Kulov. The vote for Isabekov was 57 to four. Many deputies from opposition parties stated before the vote that they support Isabekov. Kulov said before the vote that Isabekov is a "mature politician." Shortly before his confirmation, Isabekov told parliament that his main priority will be the economy, saying: "I believe that for the effective work of the government it should implement its main function. And it must stay away from political struggles. Of course, politics also plays a role in government activity. But [the focus] must be economic policy, financial policy, and foreign economic policy." Isabekov is seen as a close ally of Bakiev, and he served as Bakiev's adviser when he was the governor of the Chui region. Isabekov, who was born in 1960, is an economist by profession and hails from northern Kyrgyzstan. (RFE/RL)

MINSK GROUP CO-CHAIRMEN MEET WITH KARABAKH, ARMENIAN PRESIDENTS

29 January

The French, Russian, and U.S. co-chairmen of the OSCE Minsk Group met on January 25 in Stepanakert with Arkady Ghukasian, president of the unrecognized Nagorno-Karabakh Republic, and the following day in Yerevan with Armenian President Robert Kocharian, Noyan Tapan and RFE/RL's Armenian Service reported. Russian co-chair Yury Merzlyakov was quoted by regnum.ru as describing the co-chairs' meeting with Ghukasian as "extremely useful" and as "substantive and detailed." He added that "we tried to reach agreement on a range of questions." Ghukasian for his part was quoted by Noyan Tapan on January 27 as saying that it would be premature to affirm that a settlement of the Karabakh conflict is close as "there are still many unresolved issues." No formal statement was issued after the co-chairs' talks with Kocharian in Yerevan on January 26, RFE/RL's Armenian Service reported. (RFE/RL)

EURASIAN BLOC HEAD SAYS UZBEKISTAN LAGS ON PAPERWORK

30 January

Serik Primbetov, deputy secretary-general of the Eurasian Economic Community (EEC), said in Almaty on January 30 that Uzbekistan has fallen behind schedule on joining agreements required by

its membership in the group. Primbetov said, "By January 1, 2007, for example, [Uzbekistan] was obliged to join 20 [agreements], but signed only 16." Primbetov called the four remaining agreements the "most difficult ones," noting that one of them involves visa-free travel. The EEC comprises Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan, which joined formally in March 2006. (Interfax-Kazakhstan)

OSCE MEDIA OFFICIAL CALLS FOR KAZAKH 'INSULT LAWS' TO BE REPEALED

30 January

Miklos Haraszti, the OSCE representative on freedom of the media, has called on Kazakhstan to repeal its media law criminalizing the criticism of state officials. In a statement, Haraszti criticized Article 318 of the Kazakh criminal code, or Kazakhstan's so-called "insult laws," as being "contrary to modern democratic practice." Opposition Kazakh journalist Kazis Toguzbaev was handed a two-year suspended sentence on January 22 for the "infringement on the honor and dignity of the president." The sentence stems from Toguzbaev's publication of several critical articles posted on www.kub.kz that criticized Kazakh President Nursultan Nazarbaev in connection with the murder of opposition leader Altynbek Sarsenbaev and two aides. In his statement, Haraszti specifically stressed that "for the sake of free public discussion, public officials, especially [heads of state,] should exercise a greater degree of tolerance towards criticism, even if that criticism is expressed in a negative or harsh manner." (RFE/RL)

RUSSIAN ENVOY SAYS MOSCOW TO REBUILD POWER PLANT IN TAJIKISTAN

31 January

Ramazan Abdulatipov, Russia's ambassador to Tajikistan, said in Dushanbe on January 30 that Russia is better placed than other countries to complete the construction of the Roghun hydroelectric power station. A high-ranking Tajik official recently criticized Russian Aluminum (RusAl) for failing to observe an agreement on the construction of Roghun and said that other companies are interested in the project. Abdulatipov stressed that RusAl is a private company and disagreements between it and the Tajik government should not cause problems in bilateral relations. Russian ministries are preparing a new bilateral agreement on Roghun, Abdulatipov said, for

presentation to their Tajik colleagues and ratification in the first half of 2007. Abdulatipov commented, "Our presidents are in charge of the project to build this power station, and it will happen." (RFE/RL)

OFFICIAL SAYS SINGAPORE COMPANY TO INVEST \$1.5 BILLION IN UZBEK ECONOMY

31 January

Nurmukhamed Akhmedov, the head of the Uzbek national oil and gas company Uzbekneftegaz, told journalists on January 31 that Singapore's Temasek Holdings intends to invest \$1.5 billion in the Uzbek oil and gas sector. Akhmedov said that Uzbekneftegaz will discuss five investment projects with Temasek Holdings in 2007. Uzbek President Islam Karimov recently visited Singapore. (Interfax)

RUSSIA TO BUY OUT UZBEK GAS COMPANY, REPORT SAYS

1 February

Russia's Gazprom plans to acquire a majority stake in the Swiss-registered Uzbek company Zeromax. A source at Uzbek national oil and gas company Uzbekneftegaz told the news agency, "It is presumed that Gazprom will enter as a strategic partner both into the joint ventures created by Zeromax in the Uzbek oil and gas sector and into the core affiliates of the Swiss company that work in this sector." Zeromax declined comment on the matter. (gazeta.ru)

174 MILITANTS KILLED IN NORTH CAUCASUS IN 2006

1 February

A total of 174 militants were killed last year in the North Caucasus, and 1,171 were detained, a deputy Russian interior minister said Thursday. Police Colonel General Arkady Yedelev said security agencies lost 239 officers, almost 100 fewer than in 2005, in regions of Russia where counter terrorist operations were conducted. Yedelev said on January 23 that 554 militants had given themselves up in the Republic of Chechnya since announcement of an amnesty. The partial amnesty for militants not involved in major atrocities during Russia's antiterrorism campaign in the North Caucasus was announced by Russian authorities July 15, 2006, following the killing of the region's most sought after terrorist, Shamil Basayev. But the commander of Russia's Joint Forces in the

North Caucasus, Colonel General Yevgeny Baryayev, earlier said about 700 gunmen still continued to operate in Chechnya and neighboring regions. (RIA Novosti)

PEACEFUL IRAN NUCLEAR PROGRAM CAN BE GUARANTEED -- PUTIN

1 February

Russia's president said Thursday there are ways of ensuring Iran's right to develop civilian nuclear power, while eliminating international concerns on the issue. "It is necessary to find a scenario for the development of [Iran's] nuclear industry that would, on the one hand, fully guarantee Iran's access [to nuclear technology] and on the other, address any concerns within the international community," Vladimir Putin told an annual televised news conference in the Kremlin. "Such options exist, and Mr. Mohamed ElBaradei [Director General of the International Atomic Energy Agency (IAEA)] is proposing them," he said, adding that the Iranian people have the right to access modern technology, including nuclear technology. "As you know, we are cooperating with Iran in peaceful nuclear activities, building a nuclear power plant in Bushehr. We intend to pursue this program in the future," Putin said. Russia, a key economic partner of Iran, has consistently supported the country's right to nuclear power under the Non-Proliferation Treaty, despite international accusations that the Islamic Republic aims to direct its nuclear program toward building weapons. In response to Iran's unwillingness to give up its nuclear ambitions, the UN Security Council adopted Resolution 1737 last December, which provided for sanctions against Iran banning activities involving uranium enrichment, chemical reprocessing, heavy water-based projects, and the production of nuclear weapons delivery systems. Tehran responded to the resolution by saying it would review its cooperation with the IAEA and on January 23 barred 38 IAEA experts from inspecting Iran's nuclear facilities. The IAEA is expected to file a new report on Iran's nuclear program February 23. (RIA Novosti)

OSCE WILL NOT OBSERVE TURKMEN PRESIDENTIAL ELECTION

2 February

The OSCE's Office for Democratic Institutions and Human Rights (ODIHR) announced in a January 31 press release on the organization's website

(<http://www.osce.org>) that it will not observe Turkmenistan's February 11 presidential election. The press release stated that the "deployment of an election observation mission was not possible because of time constraints." ODIHR has deployed an Election Support Team led by Slovak Ambassador Lubomir Kopaj at the invitation of Turkmen authorities. "This should be considered as a first step of a renewed dialogue with the Turkmen authorities on electoral processes and a range of other issues," ODIHR Director Christian Strohal commented. (RFE/RL)

NUMBER OF ABDUCTIONS DECLINES IN CHECHNYA - DEPUTY INTERIOR MINISTER

2 February

The number of people abducted in Chechnya is decreasing, Col. Gen. Arkady Yedelev, Russian deputy interior minister and head of the operational headquarters in the North Caucasus, said in an interview published in the Rossiiskaya Gazeta newspaper on Friday. "This criminal business is shrinking," he said. "Twenty-eight abductions were registered by the prosecutor's office of Chechnya last year. The figure for 2005 was 108, and 153 in 2004," the general said. Asked whether he is convinced that the process of normalizing the situation in Chechnya is irreversible, Yedelev said: "I am absolutely sure." However, abductions in Chechnya remain a matter of concern among Russian human rights activists. (Interfax-AVN)

NORTH CAUCASUS MINISTER SAYS WAHHABISM 'IS NOT A CRIME'

2 February

Speaking at a press conference in Nalchik, Kabardino-Balkaria Republic Interior Minister Yury Tomchak said that "wahhabism is not a crime, it's a religious tendency," according to "Gazeta yuga" as reposted on February 1 on kavkazweb.net. In a clear reference to the indiscriminate reprisals against young Muslims carried out by his predecessor, Lieutenant General Khachim Shogenov, Tomchak said that his ministry's efforts to apprehend Islamic militants out to "overthrow the existing system" should not be seen as a struggle with a specific religious tendency, but as an attempt to redress "the damage inflicted by our colleagues." (RFE/RL)

ELECTORAL COM HEAD IN ABKHAZIA SEIZED BY MASKED ATTACKERS

3 February

Unidentified attackers in Abkhazia's Gali district have seized the chairman of the district electoral commission for parliamentary elections, David Sigua, from his home. Sigua was seized at 05:00 Moscow time this Saturday, Abkhazian presidential envoy to the Gali district Ruslan Kishmaria said. Sigua's relatives said that five masked persons armed with submachine guns broke into his home in the central part of the city of Gali and took him out by force. They sat him in a car and drove away toward the lower part of the Gali district. His relatives immediately informed police about it, and police are searching for Sigua all over the Gali district now. The envoy did not rule out the seizure was linked with Sigua's active participation in Abkhazia's public life. On December 6, at a mass meeting in Sukhumi, Sigua spoke on behalf of the Gali district's residents and called on Georgia's leaders to leave them in peace and let them live peacefully in their motherland in Abkhazia. (Itar-Tass)

SOUTH OSSETIAN LAW ENFORCERS REPEL ATTACK ON TSKHINVALI

4 February

South Ossetian Defence Minister Andrei Laptev said on Sunday that the republic's Defence Ministry units managed to repel a fire attack on South Ossetia's capital Tskhinvali. The southern outskirts of the South Ossetian capital were subject to heavy fire from submachine-guns, grenade launchers and mine mortars for two hours. The fire came from the Georgian villages of Ergneti and Nikozi. "The Georgian special units made an attempt to penetrate into the city but the attack was repelled, and they were dispersed," Laptev went on to say. Laptev confirmed that the southern neighbourhoods of Tskhinvali were fired at from large-calibre weapons. There are wounded among law enforcers and civilians. OSCE military observers and representatives of the Joint peacekeeping force in the area of the Georgian-Ossetian conflict are working at the site. (Itar-Tass)

GEORGIA SAYS GEORGIAN VILLAGE SHELLED BY BREAKAWAY SOUTH OSSETIA

4 February

Georgia said Sunday a Georgian village was shelled by its breakaway province of South Ossetia. Fire at the Georgian village of Nikozi was opened Saturday

evening from Tskhinvali, the capital of the separatist region, Georgia said. South Ossetia declared independence from Georgia following a bloody conflict in 1991-1992 that killed hundreds of people. The pro-Western Georgian government of Mikheil Saakashvili has said it is determined to bring the breakaway region back under its control. Mamuka Kurashvili, the commander of the Georgian peacekeeping battalion in the Georgia-South Ossetia conflict area, said that large-caliber weapons, mortars and automatic rifles were used to shell the village and that the shelling lasted 45 minutes. He said a monitoring group consisting of peacekeepers and OSCE representatives in the conflict area is investigating the situation. The Georgian side also said a resident of the village of Nikozi was wounded during the shelling and was taken in a grave condition to a hospital in Tbilisi for treatment. At the same time, South Ossetian authorities said the breakaway republic's capital of Tskhinvali was subjected to fire yesterday evening from three Georgian villages located in the conflict area. As a result of the shelling, which began at 09:30 p.m. Moscow time (06:30 p.m. GMT), a local resident was injured, the republican information and press department said. (RIA Novosti)

TWO MISSING KAZAKH BANKERS HAVE BEEN ABDUCTED – WIVES

6 February

Two former senior executives of Nurbank, one of Kazakhstan's largest banks, have gone missing and are presumed kidnapped, the men's wives said Monday. In an open letter to President Nursultan Nazarbayev, Armangul Kapasheva, the wife of Nurbank ex-deputy chairman Zholdas Timraliyev, said he had gone missing Jan. 31 after being summoned to a meeting with deputy foreign minister Rakhat Aliyev. She also accused Aliyev of having temporarily abducted her husband on a separate occasion two weeks earlier, when he allegedly threatened to shoot Timraliyev unless he called the owner of a major business center in downtown Almaty, demanding he hand over the business to Aliyev. Timraliyev was later detained in a fitness center and held overnight, handcuffed to an exercise machine, his wife said. Aliyev was unavailable for comment through the foreign ministry all Monday. A spokesman for the ministry said he was aware of the allegations, but couldn't comment. Six companies, including Almaty's leading cable channel Alma-TV and two sugar

plants, hold stakes between 8.6% and 9.4% each in the bank. Mukhtar Aliyev, whose son is married to Nazarbayev's eldest daughter Dariga, holds 6.73% of the bank's shares, according to data on the Kazakh stock exchange Web site. Nurali Aliyev, Nazarbayev's 22 year old grandson, was appointed to the board of directors two weeks ago, following the resignations of Timraliyev and Gilimov. The two men's wives said that financial police had subsequently ransacked their homes in search of documents. Kapasheva also said that Almaty police had refused to accept her report of her husband's disappearance. Almaty police said Monday they have been looking for Timraliyev but hadn't started searching for Gilimov yet, as he hadn't been reported missing. Nurbank, Kazakhstan's seventh-largest by assets, had made its debut on the international capital markets last year, issuing a \$150 million five-year Eurobond. (Dow Jones NewsWires)

AZERBAIJAN BUYS FIVE BOEINGS IN US

6 February

The Azerbaijanian Airlines State Concern has signed a contract with the US Boeing company on Tuesday. Under the contract Azerbaijan is to buy five Boeing planes of two modifications worth 401 million dollars. This is the biggest contract Azerbaijan signed in the non-oil sector of economy since the country proclaimed independence in 1991, said Director General of the Azerbaijanian concern Dzhangir Askerov. The contract signed by President and Executive Director of the Boeing Company Scott Carson envisages sale of three Boeing-787 aircraft and two Boeing- 737s to Azerbaijan in 2010, Askerov told Tass. These Boeings capable to carry up to 250 passengers and with a flight range of almost 16, 000 kilometers are the latest models built by the Boeing company that will be exporting these planes world over since 2010. Azerbaijan is the first country in Europe and the CIS to get such planes, Askerov told Tass. (Itar-Tass)

GEORGIA AUTHORITIES RELEASE OPPOSITION LEADER IRINA SARISHVILI

6 February

Leader of the Imedi opposition political association Irina Sarishvili, detained on Monday evening by officers of the Georgian Interior Ministry for "the import of great quantities of undeclared gold and cash from Armenia into Georgia", was released last

night. The release was preceded by hours-long interrogation, conducted at the Georgian Sadakhlo passage point (Georgian-Armenian border). Sarishvili told reporters on Tuesday that “the investigation has no claims to her any more”. According to the opposition leader, she “has nothing to do” with 300 grams of gold, found in the car in which she arrived from Armenia to Georgia. Two persons, accompanying her, were also released. The driver, the owner of the gold, is still in custody. Sarishvili admitted that the great amount of undeclared money, found on her (Eds: 58,890 US dollars, 7,000 roubles and 8,000 Armenian drams) really belongs to her. “I’ll pay a fine, provided for by laws, for the fact that I did not declare the cash,” she said. Sarishvili noted that she “was questioned as a witness”. Her lawyer said that Sarishvili was questioned “on the origin of the money and aims of her visit to Armenia”. Sarishvili, 44, had held the post of a Georgian vice-premier in 1993, but had resigned in protest against Georgia’s accession to the Commonwealth of Independent States. Later, she was in opposition to President Eduard Shevardnadze. She was in radical opposition to the

present authorities over the past three years. She has been heading a charity fund of ex-head of the Georgian security service Igor Georgadze (since 2005), wanted on charges of hatching a terror act against Shevardnadze in 1995. (Itar-Tass)

RUSSIA-GEORGIA TALKS ON AIR SERVICE RESUMPTION CONTINUING

6 February

Talks on the signing of a protocol on the resumption of the air service between Russia and Georgia are continuing. The protocol signing has been postponed to Tuesday evening. The press service of the Russian Transport Ministry reported, “Talks on the signing of a protocol on the resumption of air communication between Russia and Georgia have dragged on, the sides have postponed the decision on the protocol signing to the second half of the day.” On Monday, the two countries’ delegations discussed the key problem - the issue of the settlement of the aero navigation service debt by the Georgian side. Georgia’s aero navigation debt to Russia is 3,738 million roubles. (Itar-Tass)

