

# Central Asia-Caucasus Analyst

BI-WEEKLY BRIEFING

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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 journal devoted to analysis of the current issues facing Central Asia and the Caucasus. 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 are encouraged to 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*, 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 authors 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 1,100-1,500 word analytical 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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## **Submission Guidelines:**

**Analytical Articles** require a three to four sentence Key Issue 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. The ideal length of analytical articles is between 1,100 and 1,500 words. The articles are structured as follows:

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

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

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

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

**Field Reports** focus on a particular news event and what local people think about the event. Field Reports address the implications the event or activity analyzed 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.

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## IS RUSSIA WINNING IN CENTRAL ASIA?

*Martin C. Spechler and Dina R. Spechler*

*In keeping with an increasingly assertive stance in Russian foreign policy, especially since 2004, President Putin declared that the Central Asian part of the “near abroad” is a “key national interest.” In light of the independence the five ex-Soviet Central Asian states displayed in their less than supportive reactions to the invasion of Georgia, one might ask whether Russia is succeeding in this former colonial area—as many Western analysts have asserted. Despite Russia’s many ways of exerting influence among these disparate states, Moscow has not done well, even on its own appraisal.*

**BACKGROUND:** To evaluate Russian success, one must consider the Putin-Medvedev administration’s objectives in the region. These include exclusion of the U.S., NATO, and other potential rivals. In this Russia has had little success. Though the Americans were expelled from the airbase at Karshi-Khanabad in 2005, NATO airmen remain in Uzbekistan. American business, never expelled, has reasserted its presence there with a General Motors contract. President Karimov’s much acclaimed strategic accord with Russia in 2006 was in fact just a framework agreement. It envisaged cooperation in case of instability but required prior Uzbek approval for any entry of troops.

The Kyrgyz Republic turned down the Shanghai Cooperation Organization recommendation in 2005 to close down the US-NATO airbase at Manas, near Bishkek, and apparently has done so again at the recent summit meeting of that organization at Dushanbe. The NATO base has more than twice the number of personnel as the Russian one at nearby Kant, although reinforcements for the latter have been promised. It is true that Kazakhstan and some of the other Central Asian countries receive deeply discounted equipment from Russia, and that Moscow maintains military forces in the two smallest and

weakest states of the region, but all the Central Asian countries participate in NATO’s Partnership for Peace and receive both arms and training from the West, not to mention China.

Another declared Russian objective has been protection from Islamist attacks and entry of drugs into the Russian Federation territory. Islamists from Chechnya are active in and around the Caucasus, and the flow of narcotics to Russia’s millions of addicts continues. This is one consequence of Russian military involvement in Tajikistan, where drug-related illness is rising fast.

Russia also wishes to obtain an unlimited share of the oil and natural gas from the region at prices permitting profitable resale in Europe. Here the situation is gradually slipping away from Gazprom, even if some pipeline projects are supposed to accommodate all the energy Russians can buy. Turkmenistan continues to sign contracts with all sides for more oil and gas than it can probably produce. Naturally, such competition is forcing Gazprom to offer higher prices for Central Asian natural gas. The price charged has risen to \$150 per thousand cubic meters. Following the Russian invasion of Georgia, European governments may well be more eager to step in to build the long-awaited Nabucco gas pipeline from

the Caspian to Central Europe to which Azerbaijan is committed.

Export of oil through the Baku-Tbilisi-Ceyhan pipeline will also increase significantly with Kazakhstani participation. Russia was not able to block this initiative by Azerbaijan, financed by American and other Western oil companies. Kazakhstan will also send 20 million tons of oil to China, or about one-fifth of its projected output. Even if Russia can extract more energy from Central Asia, increased supplies of either gas or oil benefit consumers everywhere by reducing the market price. Russia has not been able to control either the world oil price or even the price of natural gas, a market where it encounters powerful customers.

**IMPLICATIONS:** As for trade in consumer or capital goods, Russia is far from reconstituting Soviet exclusivity. The ambitious Eurasian Economic Community (EurAsEC), a project long championed by Kazakhstan's President Nursultan Nazarbaev and joined by Uzbekistan in 2006, has registered little practical progress. Besides petro-energy and hydropower, Russia is interested in buying the non-ferrous metals of Central Asia. But what does Russia have in return, besides arms and nuclear plants? Overall, Central Asia is not an important market for Russia. It accounts for just 4% of Russia's exports, about the same as in the 1990s. Meanwhile, both China and other countries have established themselves in all the Central Asian markets. China has been very successful in Kyrgyzstan, where 62% of its imports in 2007 came from China, as compared with 17% from Russia. China supplied 20% of neighboring Tajikistan's modest imports, about the same as Russia in 2007. The West has also increased its share.

As for economic assistance, Russia has the money—or did up to the recent financial crisis—but there are many claimants closer to the Kremlin, not least the personal fortunes of the siloviki

themselves. Russia reportedly denied the Tajiks assistance during the last winter, but the EU sent €8 million. The EU also promised financing for the Rogun Hydroelectric Power Plant, a project neglected so far by the Russians. Russia has announced energy projects throughout the region, but action is slow. For example, the modernization of the Aqtau-Samarqand oil pipeline is “not progressing very fast,” according to a Kremlin source. Meanwhile, China's Export-Import Bank is financing \$300 million for the Zeravshan hydropower station in Tajikistan. Other current projects include railroad and road links to China.

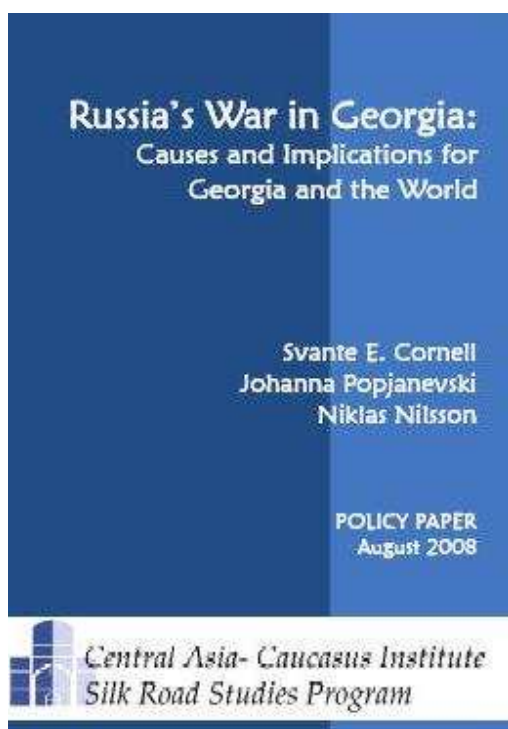
With regard to its public diplomacy aimed at creating a positive image, Russia is not escaping blame for atrocities and environmental depredations committed in Central Asia during the Soviet period. President Islam Karimov has recently announced two new buildings to commemorate victims of the Russian “colonial regime.” Here school children and other visitors will view exhibits from Tsarist times and “the Soviet period...when the cruelest repressions took place.” On that site in Tashkent, Soviet secret police executed masses of “enemies of the people” during the 1930s.

Russia's efforts to win friends in Central Asia are hindered by popular attitudes. It is not too much to assert that Russians lack respect for Central Asians, who are associated in the public mind with terrorism, Islamism, and criminal mafia. The nearly two million Central Asian migrant workers within the Russian Federation are frequently exploited, abused, and cheated with little interference from the authorities. A Federation law of 2007 limits the number of non-Russians in wholesale and retail markets. References in respectable publications to the cultural and historical traditions of Muslim Central Asia or its contributions to Russia are “extremely rare,” according to one observer.

**CONCLUSIONS:** Under Vladimir Putin's leadership Russian foreign policy became more ambitious and assertive. This has especially been the case since 2004, when Putin's hopes for a partnership with the Bush Administration finally came undone owing to the Baltic States' acceptance into NATO and Western support for the Orange Revolution in Ukraine. Since, rising revenues from oil and gas have strengthened the apparent consensus among Kremlin policymakers and the public in favor of restoring Russia's dominant role in the now independent parts of the former Soviet Union. However, Russia is not winning in Central Asia, and according to one Moscow source it lacks a "national strategy" even to succeed in the region. Rather than submitting to

some new "great game," during the last twenty years the Central Asians themselves have learned to encourage competition among all the outsider powers for their rhetorical and other favors.

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New Policy Paper:

*Russia's War in Georgia*

By Svante E. Cornell, Johanna  
Popjanevski, and Niklas Nilsson

This Policy Paper provides a detailed chronology of the time leading up to the war in Georgia, as well as to the war itself, while providing an analysis of its implications for Georgia and beyond.

The Paper can be downloaded free at [www.silkroadstudies.org](http://www.silkroadstudies.org). Hardcopy requests should be addressed to Katarina Lesandric at [caciz@jhu.edu](mailto:caciz@jhu.edu).

## RUSSIA AND INDIA FACE KAZAKHSTAN'S SPACE AMBITIONS

*Sébastien Peyrouse*

*Since the 1950s, Kazakhstan has hosted on its territory the famous Baikonur Cosmodrome, but it has otherwise been a passive player in Russia's space pursuits. Yet in recent years, Kazakh government authorities, interested in sharpening their country's international image and financial power, have sought to become a part of the space race. Although Russia is Astana's primary partner, India is also trying to position itself in this promising sector. Offering the possibility of significant technology transfer to Central Asia, India hopes to mitigate its weak military presence in the region by enhancing its image as a new technological power.*

**BACKGROUND:** In terms of its space program, Kazakhstan is naturally oriented toward Russia. In addition to the space complex at Baikonur, where Moscow has extended its lease until 2050, Russia rents several other sites on Kazakh territory. In the Lake Balkhash region, it controls the Gulshad site, which monitors ballistic missiles and space objects circulating over Asia up to 3,000 kilometers away. In the Atyrau region, Russia rents a 1950s-era launch site, which it uses to test new weapons and train navy pilots, and in Karaganda, it maintains a cosmic waste disposal facility. Since 2006, three other sites Kazakhstan leased to Russia – Saryagash, which specializes bringing down rockets and air defense, and Emba and Aktobe, which both conduct weapons testing – were unified into a central state force with headquarters in the Astrakhan region.

Among the latest example of space cooperation between Russia and Kazakhstan is the creation of the World Space Observatory Ultraviolet (WSO/UV), which will be developed with the assistance of Russia, Spain, Italy, and China, together with the Kazakh space agency, Kazkosmos. The Russian space agency Roskosmos, which has now replaced the

Ministry of Defense in many space projects, announced in early 2008 that the Baikonur-based observatory would be operational before 2010.

Kazakh government authorities have made no secret of their ambitions to join the exclusive club of space powers in less than a decade. In 2004, President Nursultan Nazarbayev launched a national development program for space activity. In 2006, the country put into orbit its first *sputnik*. Kazakhstan is also currently working on the Baiterek Space Rocket Complex project, which will confirm the arrival of a specifically Kazakh space industry, although its specialists were all educated in Russia within the framework of strategic partnership between the two countries.

Since Astana wants to develop a space industry that is at least somewhat independent of Moscow – particularly since the accident involving the Russian carrier rocket Proton-M, which crashed in Kazakhstan – India's technical skills are particularly welcome. In October 2007, a delegation from Kazakhstan's space agency, led by former cosmonaut Talgat Musabaev, met with Madhavan Nair, the president of the Indian Space Research



Organization (ISRO), in order to establish bilateral cooperation in space affairs. The two countries share very similar goals in space, although India is far more advanced, and both seek new partners. They discussed the creation in Kazakhstan of a landing space, the launch of Indian IRS rockets, which are known for the quality of the images they take in space, and the use of a radar complex on Kazakh territory. Astana, for its part, was particularly interested in the technology center in Bangalore that houses the ISRO Rocket Center.

**IMPLICATIONS:** The conquest of space is viewed as a technological challenge, as much as it is military or political, which confirms a rise to great power status. New Delhi has already made a name for itself on the world market for launching heavy satellites. Valued at US\$2.5 billion each year, the country plans to send fifty missions to space by 2013. This enthusiasm is due largely to the space industry's profit potential, but also to the opportunities to transfer technology to the military sector. The rise of India's military budget, which stood at US\$25 billion in 2008, is not only a result of bad relations with Pakistan, but also of global competition with China for the status as the premier Asian power. (By official counts, China's annual military budget is US\$60 billion, but it is probably higher.) With a high-level industrial base, India seeks to quickly acquire new space and military sector skills, in part through collaborations with Russian, American, and European partners.

In Central Asia, New Delhi hopes to gain access through arms sales and technology transfers, which are relatively easy because they can be sent by air and do not require transit by road or train through Afghanistan. This shift to technology can offset the weak Indian military presence in Central Asia. In the 1990s, some

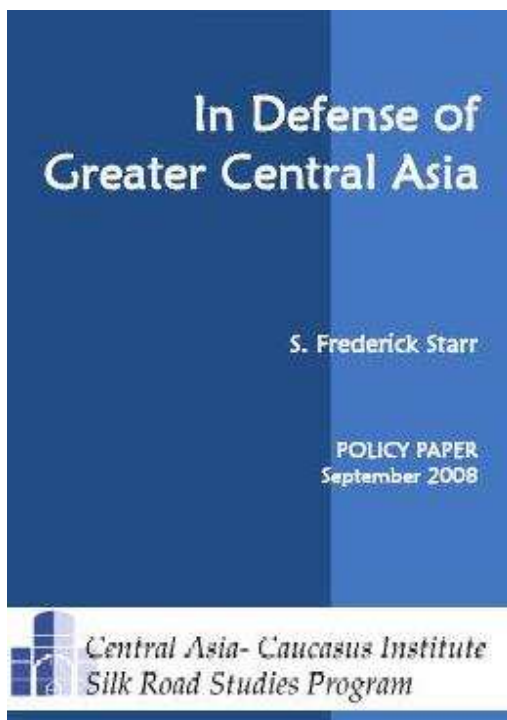
Turkmen and Tajik officers trained in military academies in India. In 2003, Tashkent and New Delhi endorsed the creation of a bilateral working group to fight international terrorism, including the sharing of intelligence systems and joint military and paramilitary exercises. India also purchased six Il-78 tankers from the Tashkent aviation factory TAPO (formerly known as Tshkalov). In Kazakhstan, New Delhi is particularly interested in the formation of the Caspian military fleet, a domain in which it hopes to overcome competition from China. Finally, India assists in the training of specialists for the future navy of Kazakhstan, as well as mountainous combat units.

India also sees Tajikistan as a country in which to establish a military presence. Its proximity to Afghanistan is considered a key strategic factor for securing India's northern border. Since 2001, Pakistan has regularly closed its airspace to Indian planes, forcing New Delhi to seek new routes. Tajikistan hosted joint aerial military exercises with India in 2004 near the Fakhrabad airfield, which is located in the region of Khatlon. In particular, New Delhi has helped in the training helicopter pilots, who take coursework in aeronautical engineering. India does not want to limit itself to the renovation of the Aïni base; it hopes to install there its first military base abroad, although Moscow is also present at the site. Dushanbe's final decision will depend in part on the state of relations between India and Russia. Although military-industrial cooperation is a key element of its relations with India, Moscow might refuse to see another military power to rise in an area that is strategic to its own interests. The plan for a space partnership with Kazakhstan appears to be the major means of entry into Central Asia for the Indian economy.

**CONCLUSIONS:** Space cooperation between Kazakhstan and India is expected to grow in the coming years. It remains to be seen whether this cooperation will move forward at Russia's expense or with its consent, however the latter seems more plausible. Russia cannot advance in this sector without Baikonur, while New Delhi needs to share technology with Russia, and Astana does not have the training facilities and technical expertise needed to independently manage its space ambitions. The Russian-Indian rapprochement, especially in the

military-industrial sector, could give birth to triangular space relations between Astana, Moscow, and New Delhi. Such a situation would not be without self-interest and would quietly put aside Chinese cooperation that tends to come with heavy consequences.

**AUTHOR'S BIO:** Sebastien Peyrouse is a Senior Research Fellow with the Central Asia-Caucasus Institute & Silk Road Studies Program Joint Center. He is the author of *Turkménistan, un destin au carrefour des empires* (Paris, 2007, in French), among other books.



New Policy Paper:

***In Defense of Greater Central Asia***

**By S. Frederick Starr**

The idea of an open Greater Central Asia that is an economic and transport center rather than a periphery, and a self-determined subject of international affairs rather than a pliable object, stands in contrast to the territorial colonialism of yore and to the energy-driven colonialism which threatens the region today.

The Paper can be downloaded free at [www.silkroadstudies.org](http://www.silkroadstudies.org). Hardcopy requests should be addressed to Katarina Lesandric at [caciz@jhu.edu](mailto:caciz@jhu.edu).

## GEORGIAN WAR INCREASES NUCLEAR TERRORISM RISKS

Richard Weitz

*Although Russian-American bilateral cooperative threat reduction programs continue, the war in Georgia has disrupted U.S.-led efforts to strengthen barriers against the transit of dangerous nuclear materials through the South Caucasus. This development is especially worrisome given that the region has experienced some of the most serious proliferation scares since the Cold War. Given Moscow's decreased interest in cooperating with Washington, the struggle against nuclear smuggling is likely to suffer.*

**BACKGROUND:** Georgia has long been a priority region for U.S. nonproliferation programs aimed at curbing illicit trafficking of biological, chemical, and especially nuclear materials through the South Caucasus to both state and non-state actors. Since the USSR's disintegration, many attempts to smuggle illicit radioactive materials through the South Caucasus and sell them on the black market have been detected.

The Georgian government has attempted to enhance the safety and security of the nuclear materials under its control, but the anarchic conditions, weak law enforcement, and porous borders in both Abkhazia and South Ossetia have permitted widespread smuggling with neighboring Russian regions as well as into Georgia. This condition has facilitated trafficking in nuclear materials as well as more conventional forms of contraband (e.g., narcotics, counterfeit currency, and young women). Georgia's pivotal location at the crossroads between Europe, Russia, Asia, and the Middle East has raised concerns that transnational trafficking networks could move nuclear materials from Russia through Georgia to international terrorist groups.

During the 1990s, Georgia suffered a series of worrisome incidents involving the discovery of scattered, low-level radioactive materials

“orphaned” after the USSR's collapse. The country has many scientific, medical, industrial, and other facilities containing radiological sources such as cesium-137 and strontium-90. With the assistance of monitors from the International Atomic Energy Agency (IAEA) and funding from the U.S. government, Georgian authorities have recovered hundreds of such radioactive sources in abandoned factories, waste depositories, and even private homes. Besides being health hazards in themselves, terrorists can use these radioactive materials to fashion highly disruptive dirty bombs, improvised explosive devices which spew radioactive elements when they detonate.

Although Georgia lacks a full-scale nuclear power plant, two nuclear research institutes exist on its territory. The Institute of Physics, located in Tbilisi, closed in 1990. The second, the I. N. Vekua Institute of Physics and Technology, has become an object of considerable nonproliferation concern because it is located in Sukhumi, the capital of Abkhazia, which has been a hotbed of regional smuggling and other lawless activity. According to some sources, up to two kilograms of highly enriched uranium (HEU) disappeared from that Institute sometime in the early 1990s during the civil war in that breakaway region.

The institute's former director, Guram Bokuchava, maintains that Georgian authorities no longer know the status of the facility's nuclear materials. Mr. Bokuchava asserts that when inspectors from the international Atomic Energy Agency went to Sukhumi in 2002 to examine the uranium stored at the institute, Abkhaz authorities would not let them visit the storage site.

In April 1998, the United States and other countries conducted Operation Auburn Endeavor to avert a similar disaster at another Georgian research reactor located near Tbilisi. Following years of unsuccessful negotiations with the Russian government to permit the repatriation of the Soviet-made uranium fuel located at the closed IRT-M research reactor in Mtskheta, American officials eventually funded an operation to transfer the nuclear material to the British nuclear reprocessing plant at Dounreay, Scotland.

In June 2003, Georgian authorities apprehended Garik Dadayan, an Armenian national, in the border town of Sadakhlo for attempting to smuggle 170 grams of weapons-grade HEU across Georgia's borders with Armenia and Azerbaijan. Smuggling had become rampant in the region after relations between Armenia and Azerbaijan deteriorated following their war over the disputed region of Nagorno-Karabakh. Dadayan told investigators that he had acquired the material from intermediaries of Russian and other nationalities in Vladikavkaz, in the Russian republic of North Ossetia. Georgian authorities concluded that the HEU originated in Novosibirsk, the location of a major Soviet and now Russian nuclear complex.

In 2006, Oleg Khintsagov, a Russian smuggler from North Ossetia, unsuccessfully attempted to sell 100 grams of 90 percent highly enriched uranium in Georgia. He was arrested on

February 1, 2006, in a complex multinational sting operation that eventually involved the CIA, the FBI, and the U.S. Department of Energy. Khintsagov and his accomplices claimed to have several more kilograms of diverted HEU available for sale, which they apparently obtained with the help of Russian middlemen peddling nuclear material diverting from the country's massive nuclear complex.



(ABC News)

**IMPLICATIONS:** These incidents—along with other, less serious nuclear trafficking cases in the region—highlight the vulnerability of the South Caucasus, especially Georgia, to the smuggling of nuclear materials. The U.S. government has undertaken multiple initiatives to reduce the nuclear material smuggling into and through the republic, but the Georgia War has disrupted some of the most important initiatives.

Since 1998, the U.S. Department of Energy has provided radiation detection equipment and training to former Soviet republics such as Georgia. The department plans to establish radiation detection systems at approximately 450 land, air, and sea transportation points in the former Soviet Union, Eastern Europe, and

the Mediterranean by the end of Fiscal Year 2013. The U.S. Department of State Export Control and Related Border Security Program has also provided radiation detection equipment and other counter-smuggling support to 30 countries, mainly in the former Soviet Union and Eastern Europe. The U.S. Department of Defense has supplied a range of training and equipment related to border security and law enforcement to Georgia and other former Soviet republics. One project, for instance, has equipped the Georgian Coast Guard and Navy with more effective technologies for combating maritime smuggling through the Black Sea.

After the Khintsagov case revealed continuing problems in Georgia's defenses against nuclear smuggling, the United States and Georgia signed a major bilateral agreement in February 2007 that provided for additional U.S. equipment and training for Georgians engaged in countering nuclear smuggling. Under the agreement, the United States agreed to strengthen Georgia's Nuclear Regulatory Agency and its border patrol forces. American officials also committed to assisting their Georgian counterparts in analyzing any intercepted nuclear materials. Other countries have provided financing and other support for some of these projects, which are part of the U.S. Nuclear Smuggling Outreach Initiative (NSOI).

Through the NSOI, the United States is working with Afghanistan, Armenia, Georgia, Kazakhstan, the Kyrgyz Republic, Ukraine, and Tajikistan to enhance these countries' ability to avert, identify, and react to nuclear smuggling incidents. A NSOI team conducts a joint assessment with the host government to develop a joint action plan of steps to counter nuclear smuggling better. The NSOI, which is coordinated by the U.S. Department of State,

then solicits American and other international assistance for projects the host country cannot complete on its own.

At the time of the Georgia War, a Department of Energy team was in the process of installing new U.S. radiation detection equipment at major transportation nodes such as border crossings and air and sea ports. On August 9, however, the department withdrew the Americans working on the project in Georgia. When the inspectors returned to Georgia in October, they found that Russian bombs had damaged several of the sophisticated radiation detectors, some so severely that they have to be replaced rather than repaired.

**CONCLUSIONS:** The tense relations between Russia, Georgia, the United States and the other conflict parties make uncertain when their governments will resume nonproliferation cooperation in this vulnerable region. Since much of the trafficked material appears to originate from Russian nuclear facilities and involve at least the passive collaboration of Russian nuclear workers, improving counter-smuggling operations in the South Caucasus will require considerable Russian assistance. Following the war, however, Russian President Dmitry Medvedev warned that Washington might need to disown the current Georgian government if it hoped for further security cooperation from Moscow: "The Russian Federation is ready for coordinated, full-fledged cooperation in fighting terrorism together with the United States and other countries. We believe it is our main task and think it would be far more beneficial for the U.S. than developing relations with rotten regimes."

**AUTHOR'S BIO:** Richard Weitz is a Senior Fellow and Director for Project Management at the Hudson Institute.

# GLOBAL CRISIS HITS LOCAL COMMUNITITES IN CENTRAL ASIA

Rafis Abazov

*This fall the economic slowdown in Kazakhstan and Russia, especially accelerated by the global credit crunch during recent weeks, hit hard the Central Asian seasonal migrants and their families. It is estimated that between two and three million seasonal migrants from Kyrgyzstan, Tajikistan and Uzbekistan have been working in various regions in Russia and Kazakhstan. If the economic, social and legal needs of these migrants are not effectively addressed soon, both the sending and receiving countries would face serious social and economic consequences.*

**BACKGROUND:** The collapse of the Soviet-era economic, social and investment ties between Central Asian Republics and the Russian Federation in the early 1990s has had a negative effect on the Central Asian economies. However, within a decade a new type of the economic cooperation emerged on a very different base, including the development of a rudimentary common labor market, which proved to be beneficial for all of the countries involved. Since the mid-1990s and early 2000s, Kazakhstan and Russia have begun benefiting from the rising energy prices in the international market pouring billions of dollars into various infrastructure projects and raising salaries. The economic growth in these two countries has created an increasing demand for labor that their national labor markets alone could not meet.

This demand was largely met by migrant workers from the Central Asian states (Kyrgyzstan, Tajikistan and Uzbekistan), where the rapid population growth and stagnant economy put domestic labor markets in turmoil. Under the pressure from budget constraints, the Central Asian governments cut subsidies to agricultural and industrial sectors,

but failed to attract significant investments to revive their failing economies. In this environment, hundreds of thousands of workers lost their jobs, especially in overpopulated and rural areas in the region, and extreme poverty skyrocketed. In the late 1990s average teachers' salaries in Tajikistan sank to about US\$15 a month. Thus, many of those workers, especially young people, packed up and left for other countries attracted by job opportunities. In the host countries they have picked up low-skill jobs, agreeing to work for salaries as low as US\$200-300 per month. Gradually, the Central Asian migrants found their niches in the construction and real estate sectors, in retail trade and food-catering, and in the intensive agriculture and food processing businesses. Since the mid-1990s millions of workers from the Central Asian republics have been involved in seasonal migration to the more prosperous countries in the north - Russia and Kazakhstan - in search for higher incomes.

Nobody knows for sure the exact number of migrants but various sources estimate that between 15 and 30 percent of the working-age population in sending countries have been involved in temporary and permanent

migration. This amounts to between 350,000 and 800,000 migrants from Kyrgyzstan; between 700,000 and 1.2 million from Tajikistan, and between 700,000 and two million from Uzbekistan. For example, Kazakhstan's internet newspaper *Gazeta.kz* reported recently that as of 2008 up to two million migrants have lived and worked in the country on temporary or permanent basis.

These labor migrants benefited the sending countries in many ways. Scholars and international experts still debate the impact of the labor migration in the region. Among the positive factors, they cite the integration of the small Central Asian economies into the global



(AP)

economy and the rise of remittances, which accounted for up to 20-40 percent of the national GDP in Kyrgyzstan and Tajikistan in 2007. It is estimated that these migrants send home between one and US\$ three billion per annum to support their immediate and extended families and to repay loans and credits that many of them have taken to cover the cost of traveling to and doing business in foreign countries. The emigration also helped to ease

the pressure on the domestic labor markets and on welfare- and healthcare-systems in sending countries. Labor migration has created economic interdependencies between the sending countries (Kyrgyzstan, Tajikistan and Uzbekistan) and receiving countries (Russia and Kazakhstan). Yet, experts also point out the negative factors of the emigration for sending countries, including brain drain, separation and breaking up family and social institutions, the rise of shadow financial institutions, human trafficking networks and increasing exposure and dependency of the Central Asian national economies to the fluctuations of global markets.

**IMPLICATIONS:** The economic slowdown and global credit crunch have negatively affected the existing market equilibrium. *Nezavisimaya Gazeta* reported on October 10, 2008 that the Russian currency, the Ruble, lost 16.6 percent of its value during the last few weeks and that several large construction projects were delayed. The economic difficulties have led to a steep decline in labor market demand in the receiving countries, as many construction, renovation and infrastructure projects in Russia and especially in Kazakhstan have been temporarily halted, delayed or abandoned all together and a lack of job openings in the retail sector. Tens if not hundreds of thousands migrant workers lost their jobs and income opportunities. The situation has worsened even further due to the fact that these workers have few or no skills to find other jobs in the receiving countries. The implications for migrants and their families are quite serious.

First, the families of migrants that still live in Central Asia have begun receiving much smaller remittances and many of them have stopped receiving any income from their



relatives abroad. This trend, if continued, would leave many families and communities in hardship during the forthcoming winter season. Second, it is expected that the higher competition for jobs and economic resources would lead to social and political tensions in many local communities if the migrant workers decided to come back. These tensions would become even worse if the migrants would arrive with little or no savings to support themselves until the next season. Third, the mass returning of migrant workers would also cause an increasing pressure on already fragile healthcare and social welfare infrastructure in many local communities. Some workers return home with chronic diseases, such as tuberculosis which, if untreated, would endanger the well-being of many communities in densely populated areas across Central Asia. Fourth, the lack of economic opportunities, unemployment and underemployment pushes impoverished young people into the black market that exposes them to illicit drugs, involvement in human trafficking, criminal gangs or militant political groups.

Even the migrants who decided to remain in the receiving countries face the consequences of a deteriorating business climate both in Russia and Kazakhstan, as they confront the difficulties in adjusting to the tougher market and social conditions, competing with locals for jobs.

**CONCLUSIONS:** The global crisis and economic slowdown is here to stay and probably no country in the region will be

immune from it. Therefore, it is very important for both the migrant-sending countries and migrant-receiving countries to cooperate in dealing with the challenges posed by population movement. One of the most pressing issues is meeting the needs of both potential employers and employees by streamlining and easing the job contracting process for migrant workers and by creating comprehensive job data-banks. More opportunities for vocational training and re-training for migrant workers both in the sending and receiving countries could help people to acquire new skills needed in the sectors less affected by the crisis or would prepare them for work in the new sectors of the economy. There is also a need to develop a better business environment to provide migrants with more chances for self-employment through opening and operating small and medium enterprises (SMEs). Finally, more efforts are needed for the integration the migrants in the receiving countries, even if they come on a temporary basis, through supporting networks of NGOs and ethnic diasporas, who would be in a better position to provide various forms of assistance in emergency situations.

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## FIELD REPORTS

### **ELECTIONS IN AZERBAIJAN CONSTITUTE STEP FORWARD, BUT INTERNATIONAL REACTIONS REMAIN AMBIGUOUS**

*Alman Mir Ismail*

Presidential elections in Azerbaijan, which took place on October 15, were the calmest and most properly organized in the country's history. In spite of a tough neighborhood, geopolitical rivalry over its natural resources and a history of a tense election environment, Azerbaijan managed to conduct the latest race with maintained stability and internal order.

The elections were conducted with several procedural improvements in place: voters could verify their names in the voter lists online, thus effectively eradicating the problem of missing names in the lists. Web cameras were installed in 10% of all polling stations to make sure that election commission members followed rules and norms, as prescribed by law. Previous technical improvements, such as inking fingers to avoid multiple voting and usage of transparent boxes were also maintained. More importantly, all seven running candidates were provided live airtime on Public TV to address the voters and debate issues of national importance.

Incumbent President Ilham Aliyev received the overwhelming majority of votes. According to the Central Election Commission, 89% of the voters gave their votes to Aliyev. This came as no surprise. The country's rapid economic development, heavy investments in public infrastructure and a balanced foreign policy between the West, Russia and the Islamic world satisfy the demands of people, which have lived through the terrible years of instability and chaos in the 1990s. The six other candidates, representing a new wave of opposition parties, gathered a small amount of votes but campaigned

extensively both in Baku and the regions of the country. The actual campaign process was characterized by them as normal, since no major obstacles were raised by local executive officials against organizing town hall meetings, putting up posters and traveling to rural areas.

Local specialists argued that a smooth election campaign was in the interest of the authorities, since they wanted to prove to the international community that the country is indeed on the right path towards democracy and that all previous criticism of its elections was taken into consideration. Besides, in the regional context, Azerbaijani officials hoped that free and fair elections would give the country a clear advantage over Armenia, where turmoil in connection with the Presidential elections resulted in 8 deaths and several hundred wounded.

Indeed the clearly improved election process did receive some positive remarks from the international observers. Observers from the OSCE Office for Democratic Institutions and Human Rights (ODIHR), the Parliamentary Assembly of the Council of Europe (PACE) and the European Parliament (EP) concluded in a joint statement right after elections that Azerbaijan marked considerable progress. Election observers used wordings like: "The election was conducted in a peaceful manner", "There were notable improvements in the conduct of this election ... the voting day can be generally viewed positively and described as marking considerable progress", "According to our observations on election day, the elections were well prepared and largely carried out

smoothly”, “The authorities made efforts to create more equitable conditions for candidates, and the election was organized in an overall efficient manner”.

Carl Bildt, Swedish Minister of Foreign Affairs and Chairman of the Council of Europe's Committee of Ministers, stated that “we welcome the progress marked in the course of the election”. Javier Solana, High EU Representative on Foreign policy and Security, said that the “election was held calmly, without any violations of the law and was well organized, more fair conditions were provided to the candidates from the opposition”. Similarly, Benita Ferrero-Waldner, High Commissioner of the EU's European Commission for Foreign Relations and European Neighborhood Policy, welcomed the election progress noted by the OSCE, and has positively appreciated the more favorable conditions for oppositional candidates to campaign.

However, international observers have also noted shortcomings, related to the “lack of robust competition and vibrant political discourse facilitated by the media”. Major opposition parties boycotted the elections, but many considered this an attempt to save face rather than subjecting themselves to a clear defeat by Aliyev. The conclusion was that elections “did not meet all of the country's international commitments.” Especially critical was the statement by EU Presidency, distributed by French embassy in Baku.

Azerbaijani officials categorically disagreed with these comments. Some of them expressed deep

frustration with the international observers, whom they accused of double standards. “How is it possible that the EU gives such a soft assessment of Armenia's elections, despite so much violence there and gives such a harsh statement after Azerbaijan's elections?” asked one government official, who preferred to stay anonymous. Both the Ministry of Foreign Affairs and the Central Election Commission issued statements, expressing their surprise and disappointment with the evaluation of the EU. “For unknown reasons, the statement disseminated by the Presidency of the European Union in its essence overturns the stand, on the one hand, of many thousands of observers who kept watching the presidential election, and, on the other hand, of the high-ranking EU officials,” the statement concluded.

The majority of Azerbaijani government officials conclude that constant criticism of the country's elections emanates from a Western interest in using democracy as a tool for foreign policy pressure. Others believe that the Armenian lobby in key Western capitals such as Paris, Brussels and Washington play a role in such statements. In any case, this addition to the perception of double standards in the West comes at a particularly sensitive time, following the loss of Western prestige after the war in Georgia. Voices advocating simply ignoring the West, or changing the country's foreign policy course, are now mounting within the Azerbaijani political leadership.

## MEDVEDEV MAKES ANOTHER BID TO REACH BREAKTHROUGH IN NAGORNO KARABAKH

*Haroutiun Khachatryan*

The official visit of Russian president Dmitri Medvedev to Armenia on October 20-21 had one, serious political result (perhaps the only one): the proposal to the presidents of Armenia and Azerbaijan to meet in Moscow in an attempt to find a way out of the deadlock in the Nagorno Karabakh issue. This was in line with the policy of Moscow to consolidate its positions in the South Caucasus through expanding its influence along the axis Baku-Yerevan-Ankara. Meanwhile, the results of the August war between Russia and Georgia made this task even more urgent. Although Russia won the war in Georgia, the war has in fact weakened its positions in the region, as its relations with Georgia, a central country in the South Caucasus, froze. This made Russian contacts with other countries of the region, primarily Armenia, difficult, so Russia urgently needs to strengthen its positions “beyond Georgia”, i.e., along the hypothetical axis Baku-Yerevan-Ankara. A meeting on this topic will take place on November 2 in Moscow.

Formally, Russia has good relations with all three countries of this hypothetical axis. Armenia is Russia’s strategic partner in the military-political spheres and Moscow has serious economic interests in this country, including the perspective of joint processing of uranium and the construction of a new nuclear power plant. The future of Russian-Azerbaijani ties also seem positive, especially since after the August war Baku has begun paying more attention to the prospects of exporting energy through routes bypassing Georgia, and to the option of exporting at least part of Azerbaijani oil and natural gas through Russia. Finally, relations between Moscow and Ankara are also fairly good (not least due to extensive bilateral trade) and can be improved further, especially given the worsening relations between Turkey and the United States due to the problems in Iraq). Unfortunately, the interstate relations among the states of this axis are

not good. Armenia and Azerbaijan are involved in the frozen conflict over Nagorno Karabakh. Turkey also keeps its land border with Armenia closed and rejects normal relations with Yerevan, citing its solidarity with Azerbaijan as a pretext.

The August war seemed to create some ground for optimism that a search for a way out of these deadlocks may at least be intensified. All the parties involved recognized that, given the increased tension caused by the Russian-Georgian conflict and the recognition by Moscow of the separatist regions of Abkhazia and South Ossetia, the preservation of another frozen conflict in the region, Nagorno Karabakh, has become even more dangerous than before. In addition, the “football diplomacy” between Turkey and Armenia, i.e., the unofficial visit of Turkish president Abdullah Gul to Yerevan shed some hope that the relations between Yerevan and Ankara may come to a breakthrough. The time seemed favorable for a new attempt to push the Nagorno Karabakh peace process forward. In case of at least modest success, Russia would be expected to enhance its positions in the region, and the general situation there would be improved as well.

However, the events following Medvedev’s statement in Yerevan leave little ground for optimism. Both Azerbaijan and Armenia turned from their earlier vague statements on their willingness to reach a breakthrough to tough declarations that they will not change their previous positions on the future status of Nagorno Karabakh, which have always been mutually exclusive. Ilham Aliyev said in his inauguration speech on October 24 that any form of independence of Nagorno Karabakh from Azerbaijan would be excluded. The Armenian president Serzh Sarkisian on his part replied on October 26 that a solution of the conflict is only possible if Azerbaijan recognizes the right of self-determination of the Nagorno Karabakh people. In addition, Armenia stresses the importance of

following the Madrid principles proposed by the Minsk group co-chairs last December, which envisage holding a referendum in Nagorno Karabakh about the status of the enclave, whereas Azerbaijan would not support such a referendum. Finally, Turkish officials have said that the previous policy of Ankara, whereby relations with Armenia are conditioned with progress in the Nagorno Karabakh issue in favor of Azerbaijan, has not changed.

One principal difference between the scheduled Moscow summit of November 2, 2008 and previous similar meetings in Key West, USA in 2001, and Rambouillet, France, in 2006 is that now the Minsk

group co-chairs are not as united as before. One of the negative consequences of the August war was a split between Russia on one hand, and France and the USA, on the other. Although all the three co-chairs have expressed commitment to support the peace process further, the lack of unity among them may also be a factor hindering the progress. The western countries may not be happy to see stronger Russian positions in the South Caucasus due to a breakthrough in Karabakh.

Finally, progress in the Nagorno Karabakh issue on November 2 is possible only on secondary issues, which are not directly related to the core problem of the enclave's status.

## UZBEKISTAN OPTS FOR FOOD CROPS PRODUCTION

*Erkin Akhmadov*

On 20 October 2008, the President of the Republic of Uzbekistan adopted the presidential decree "On Measures for Optimizing Cultivated Areas and Increasing Food Crops Production". The decree largely aims to increase the amount of land growing food crops by decreasing the volumes of cotton crops. Since Uzbekistan is one of the largest producers and exporters of cotton in the world, the decree caught many by surprise. Shortly before the adoption of the decree, Uzbekistan's Minister of External Economic Relations, Investments and Trade, Elyor Ganiev stated at the opening of IV Uzbek International Cotton Fair that the amount of areas growing cotton will remain as before. The text of the decree explains the decision through persistent shortages of water that creates numerous problems for growing cotton, constant price rises for food in the global market and an intention to increase the variety of food crops grown in the republic to satisfy the population's needs, and to improve the welfare of the rural population. As always, the intentions of the government seem honorable, however, some possible outcomes and consequences of the measure should be considered.

Based on the data of the Ministry of Agricultural and Water Industry, cotton crops are currently cultivated on 1391000 hectares. In accordance with the decree, 76000 hectares will be freed from cotton crops; 50000 of those freed from cotton will be used for sowing grain and barley and the rest for vegetables, melons and gourds. In light of persistent water shortages, it is questionable how much water the state will actually be able to save. The largest portion of the land will still be used for growing cotton and any type of crop needs water to grow.

At first sight, it seems that the government of Uzbekistan is concerned with the state's food security. Considering that grain prices on average more than doubled over the last few years, and that the winter promises nothing good, the plan seems quite logical. As reflections of some peasants published in local newspapers suggest, with the decree implemented, their welfare will improve greatly since before, when only cotton crops were sown, peasants had to buy fruit, vegetables and food crops. Now, they will supposedly have their own. Closer scrutiny may reveal, however, that besides improving the welfare of peasants and farmers, the

state may also gain some profits. Uzbekistan produces seven million tons of vegetables annually and demand for these grows constantly. Thus, preliminary estimates suggest that with local market saturation, the export of vegetables might grow by 5-10%.

Among other explanations for Uzbekistan's decision to "change gears" could be the persistent problem of the country's cotton-picking practices and the international community's discontent with these. Since some major European and American trading partners for cotton have suspended cooperation with Uzbekistan because it exploits child labor, the government may have decided to smoothly change the state's mode of production. Interestingly enough, by doing this the state seeks to shift the focus from one type of rights violation, but in fact ends up embarking upon another one. By commanding what to grow, the state ignores the interests of farmers, the owners of the land. Ideally, they should be the ones to decide what to grow and how much. In real life, however, it is the state that regulates such matters.

The last but not least factor to consider concerns Uzbekistan's interest in obtaining external funding. On 23 October 2008 first vice-premier, Minister of

Finances Rustam Azimov and the head of the World Bank office in Uzbekistan Lu Brefor signed an agreement on credit financing for the second phase of a project supporting agricultural enterprises of Uzbekistan - RESP II, for which the International Association of Development aims to provide a credit of US\$68 million. It will allow farmers of ninety areas of seven regions of the republic to increase the productivity of the agricultural industry, improve land reclamation and irrigation, and introduce new systems for quality and enterprise management. The intensity of cotton cultivation in Uzbekistan is not in line with the objectives of this initiative. Therefore, the government's decision to reduce cotton farming and expand the variety of agricultural produce could be viewed by the project representatives as a positive change.

In general, the presidential decree to reduce cotton production and increase that of food crops seems to aim at improving the situation in the agricultural sector and people's welfare in Uzbekistan. However, looking at the possible reasons and effects of the decree, it is still questionable whether the desired results will be achieved without bringing even more harm.

## KYRGYZSTAN: CAN NEW TAX CODE BOOST BUSINESS?

*Nurshat Ababakirov*

On October 20, President Kurmanbek Bakiev signed a new Tax Code, which will come into force this January. The government believes it will boost the economy by decreasing prices of domestic products, stifle corruption, and, importantly, pull national business out of the illegal market. It decreases the tax burden on small-scale businesses at the expense of the financial service sector, commerce, and construction business.

"The government made big concessions regarding the tax code," said Askar Shadiey, the Chair of the parliament's committee on finance and budget,

implying that the wide range of opinions among the parliamentarians forged the tax code. It has become more "equitable" with fewer taxes, but an increased tax burden. It will give a certain package of tax exemptions to the vulnerable layers of population and tax privileges to produce industries, while heavily targeting the middle and large-scale business.

Taxes for small-scale businesses are slashed in half including the value added tax (VAT), which is decreased from 20 to 12 percent. Also, some straightforward methods of administration are

claimed to be implemented in order to prevent tax inspectors from coming face-to-face with taxpayers. The latter can now submit tax declarations via the Internet and make payments within an extended timeframe.

A month ago, during the hot discussions, following the first reading of the tax draft in the parliament, representatives of 16 business associations addressed an open letter to President Kurmanbek Bakiev, Speaker of Parliament Aytibai Tagaev, and Prime Minister Igor Chudinov. Noting the haste in adopting the draft, the chairman of the local union of banks, Anvar Abdraev, said that only symbolic points of suggestions of business representatives were considered. The changes would generally boost corruption in the tax inspection body and trigger a universal price rise, especially at a time of crippling inflation rates, which can lead to a social unrest, the business representatives argued.

Being adopted for the first time, real property and sales taxes were the primary subjects of debate. The former measure contradicts the constitution, which guaranteed private property rights. It will target luxurious apartments, mansions, and lands held by corporations, while bypassing ordinary people with symbolic taxes. Taxes on farmlands are increased by 30 percent, quite a disturbing trend when many farmers abandon their lands due to loss-making and crippling inflation partly caused by the food crisis.

Unlike the current tax code, which requires a court decision on property matters, the new one makes the fiscal bodies the sole institution to decide on property of tax debtors, review complaints, and develop tax norms as well as instructions for itself.

Somewhat overstated by the government, the sales tax reform replaced a number of minor taxes, such as those levied on roads, service and retail sales. Dinara Iskakova, the financial director of the local branch of the Coca-Cola Company, stressed the "cascade" nature of the sales tax. She predicted a 25-40 percent price rise at the end of the downstream distribution of products, given the multiple stages of

the business transactions, and, in her view, this will literally paralyze trade. In the long run, the business representatives argue, the reforms will increase prices for daily and manufactured products, and swell the interest rates for loans, offsetting the long-coveted decrease of VAT. Moreover, they say, the decrease of the VAT from 20 to 12 percent will not boost business's income since the inflation caused their products to rise already by 60 percent.

The tax code is not final. In order to make it work, the government has to issue about 20 bills elaborating on its ambiguities and adjusting the new tax code to the legal framework, says the State Tax Agency. Such contradictions will generate further complications, argue the business people.

Under the current tax code, only 20 percent of businesses pay taxes, mostly medium-sized and large enterprises, said Akylbek Japarov, the Minister of Economic Development and Trade. There were attempts by the government to adopt a principle of 'single window' to facilitate business registration to attract investment to the country. However, small businesses consisting primarily of retailers, work on a license basis. Pointing to retailers at Dordoi Bazaar, one of the largest markets in Central Asia of goods flowing from China, Adylbek Kasymaliev, the deputy chief of the State Tax Agency, said that this category of tax payers must be smoothly reduced with closer tax administration.

According to Kubanychbek Aidaraliev, the chief executive covering fiscal policy under the Ministry of Economic Development and Trade, it will not increase the burden on trade, but will increase the expenditures of the population by 2-3 percent. How tightly it will push consumers who are already struggling with rising prices to the corner, will be shown by the inflation rate. Yet, the government's tax administration has always lacked effectiveness, which is likely to hide any immediate results of the new tax policy.

## NEWS DIGEST

### **BP SEES BOOM IN AZERI ENERGY SECTOR** **17 October**

BP-Azerbaijan said its total investments for oil fields and pipeline arteries in the region could total \$28 billion, top officials said Friday. BP Global Executive Director Andy Inglis said production from the Azeri-Chirag-Guneshli and Shah Deniz fields could bring major investment opportunities to the oil-rich region, Trend Capital News reported. Gas production from the Shah Deniz field alone is expected to reach 8.6 billion cubic meters, with those volumes expected to reach 20 billion cubic meters in 2012. Meanwhile, the Azeri Press Agency noted the State Oil Co. of Azerbaijan said it would increase the volume of gas exports to Georgia from the Shah Deniz and ACG fields. "Because of recent happenings, Georgian companies terminated cooperation with Russian Gazprom. Azerbaijan will probably offer an increase in gas exports to this country," said SOCAR's Murad Heydarov. The region hosts the 1,099-mile Baku-Tbilisi-Ceyhan oil pipeline, with BP-Azerbaijan as the majority shareholder. (UPI)

### **VAST NEW MOSQUE OPENS IN CHECHNYA** **17 October**

A new mosque in the Russian region of Chechnya - described by the authorities as the biggest in Europe - has opened. The Heart of Chechnya mosque has been built in the centre of the capital, Grozny - on a spot where civil war raged only a few years ago. Hundreds of local people attended the opening of the mosque, which was built in memory of Chechnya's assassinated pro-Kremlin leader Akhmad Kadyrov. His son Ramzan - the present ruler - led the inauguration ceremony. Muslims played traditional instruments outside the mosque, built in the classical Ottoman style, and reminiscent of the Sultan Ahmed Mosque in Istanbul. The Turkish-built structure, which can hold 10,000 worshippers, has risen where there was only rubble, says BBC correspondent James Rodgers. Its minarets tower over the centre of Grozny, where

many of the streets are still being rebuilt. It is only a few years since the site of the mosque and the entire surrounding area were nothing more than a layer of fractured masonry. Ramzan Kadyrov has presided over a massive, Moscow-funded reconstruction programme, of which the mosque is the centrepiece. Like his father, Mr Kadyrov once took up arms against Moscow's rule, but later switched sides. At the opening ceremony he stressed his loyalty to the Kremlin - saying that with the help of the federal authorities, the Chechen people had thwarted plans to bring about Russia's collapse. "The Chechens... have defended the integrity of Russia and the purity of Islam," he said. (BBC)

### **KAZAKHSTAN TO INJECT \$15B INTO ECONOMY**

**20 October**

The Kazakh government said Monday it will inject billions from its oil coffers to keep the country afloat during the global economic crisis. Kazakhstan has emerged as a bright spot amid the world economic collapse. Steven Mann, the U.S. State Department's envoy to the region, said last week the country was paving the way in the new global energy market. "Kazakhstan is the world leader in energy resources," he said. Kazakh Prime Minister Karim Masimov said his government plans to dump a large portion of the oil-rich country's gross domestic product into the economy to stave off a recession, RIA Novosti reported. "An additional \$15 billion will be injected into the economy by the end of the year, or about 15 percent of the country's GDP," the premier said. The freezing of world credit markets and the subsequent downturn in the economy has some oil-producing countries postponing or delaying planned expansions. (UPI)

### **ABKHAZIA TO HOST TWO RUSSIAN BASES - SHAMBA**

**21 October**

Russia will station troops in Abkhazia at two military bases - in Gudauta and Ochamchire, Sergey Shamba, the breakaway region's foreign

minister, said on October 21. Russian troops will also have outposts in upper Kodori Gorge, he said, according to the Abkhaz official news agency, Apsnipress. Russia will have 3,800 servicemen in Abkhazia, Shamba said. Russia plans to leave the same number of troops in South Ossetia, according to the Russian Defense Ministry. "As a result, Abkhazia will be provided with appropriate security guarantees from Russia," the breakaway region's foreign minister said.

He also said that it was planned, as envisaged in a partnership and cooperation treaty with Russia, to sign an agreement with Russia that would pave the way for Russian assistance in protecting the Abkhaz border with Georgia. Meanwhile, the Russian daily, Kommersant, reported on October 21 that the Russian Federal Security Service (FSB) planned to take a lead in protecting the Abkhaz and South Ossetian borders. The border guard unit in Russia is under FSB subordination. A relevant agreement, according to the newspaper, will be signed as soon as the Russian parliament ratifies the partnership and cooperation treaties with the two breakaway regions. (Civil Georgia)

### **RETURN OF GEORGIANS TO ALL PARTS OF ABKHAZIA IMPOSSIBLE – SHAMBA**

**21 October**

While not resisting the return of Georgians to Gali district and upper Kodori Gorge, the Abkhaz authorities will not allow them to return to other parts of Abkhazia, Sergey Shamba, the Abkhaz foreign minister, said.

At a meeting with a group of experts from the OSCE's Office for Democratic Institutions and Human Rights (ODIHR) in Sokhumi on October 20, Shamba said, according to the Abkhaz news agency Apsnipress, that Sokhumi had encouraged the return of Georgian displaced persons and had "even accomplished this process" in the Gali district. The Abkhaz side, he said, was not preventing the return of residents of upper Kodori Gorge who fled the area after it was taken over by the Abkhaz forces during the August war between Russia and Georgia. "However, at this stage, against the background of tensions and confrontation coming from the Georgian side, it seems impossible to consider the return of Georgian refugees to other parts of Abkhazia," Shamba said. (Civil Georgia)

### **TAJIKISTAN CLEARS DEBTS TO RUSSIA - FINANCE MINISTER**

**23 October**

Tajikistan's finance minister said on Thursday the country had completely repaid its debts to Russia. "The remaining part of the debt, worth \$15 million, has been repaid over the nine months of this year," Safarali Nadzhmuddinov told a news conference. The Central Asian country owed Russia \$50 million, which Russia has invested in the Sangtuda-1 hydropower plant project under a 2004 agreement. The minister also said as of October 1, his country's foreign debt stood at \$1.383 billion, or 29.1% of GDP. Tajikistan's main creditors are the World Bank, the Asian and the Islamic development banks. (RIA Novosti)

### **TBILISI CONDEMNS RUSSIA'S 'PROVOCATIVE ACTIONS' IN S.OSSETIA**

**23 October**

Georgian Deputy Foreign Minister Grigol Vashadze said a Russian troop increase in South Ossetia was "a provocation," adding that Russia wanted to destabilize Georgia so as to hamper economic development and investment. Georgia claimed on October 23 that Russia had increased its military presence in the breakaway region by 2,000 troops in the previous week, bringing the total number to 7,000. Russia denied the report, saying it was deliberate disinformation. "It is absolutely clear that they have been brought for provocative purposes," Vashadze told journalists on October 23. "Russia has a single goal – to maintain instability in Georgia as long as possible. You know that not only military force is a weapon for Russia, but the same can be said about instability that will ensure that the Georgian economy receives as little investments as possible." Vashadze also said that the Georgian side had informed international organizations of the troop increase. The Georgian deputy foreign minister also commented on Russian Foreign Minister Sergey Lavrov's statement, in which he accused Georgia of violating the ceasefire agreement and deploying special purpose units near the administrative borders with Abkhazia and South Ossetia. "Georgian troops remain at the places of their permanent locations – in Senaki and Gori. As far as special troops are concerned, you know that the EU monitors are stationed there, who observe violations from time to time. But no violations by the Georgian side have ever been observed," Vashadze said. (Civil Georgia)



## **MEDVEDEV IN ARMENIA FOR ECONOMIC TALKS**

**24 October**

Russian President Dmitry Medvedev arrived in Armenia Tuesday as the country struggles with oil infrastructure and energy imports. Russia said earlier it had pulled out of development of an oil refinery in Armenia. Igor Levitin, the Russian transport minister, said Moscow investors are no longer interested in developing a 35 million-barrel-per-day refinery because of the high cost of oil processing, Trend Capital News said Tuesday. Armenia lacks domestic oil production, leaving the country reliant on Iran and Russia for energy imports. The country imports about 7 billion cubic feet of natural gas from Russia each year and converts Iranian gas to electricity to trade back to the Islamic Republic. The U.S. Energy Information Administration said the domestic consumption in Armenia is completely dependent on imports. Territorial disputes over the Nagorno-Karabakh region of Azerbaijan, which Armenia occupies, have brought difficulties to the country economically. Though Medvedev said his country was interested in brokering an agreement of the territories, his prime objective was to ease regional repercussions from the global economic crisis. (UPI)

## **ABKHAZ AUTHORITIES BLAME GEORGIA FOR BRIDGE BLAST**

**24 October**

The explosion of the railway bridge over the river Inguri in the security zone on the Georgian-Abkhaz border is an act of sabotage perpetrated by Georgia, said Abkhaz Defense Minister Mirab Kishmariya. "We believe it is another act of sabotage by Georgia," Kishmariya said in an interview with Interfax. (Interfax)

## **GEORGIA SAYS BRIDGE BLOWN UP IN GALI**

**24 October**

Russian forces in Abkhazia destroyed the Shamgona-Tagiloni bridge connecting the Gali region of Abkhazia with the Zugdidi region early on October 24, the Georgian Interior Ministry said.

This is the second bridge destroyed in Abkhazia within the past few days, according to the Georgian Interior Ministry. "Such an action aims at cutting off the Gali population from the rest of Georgia," the Ministry said in a statement. (Civil Georgia)

## **CASPIAN ENERGY CORRIDOR DEVELOPING**

**10 October**

Opening an office of the state-run Azeri energy company in Kazakhstan is a sign of the desire to move ahead with the Trans-Caspian oil pipeline, officials said.

In an interview with Trend Capital News, the director of the Kazakh office of the State Oil Co. of Azerbaijan, Vurgun Jafarov, said proceeding with Trans-Caspian energy transport pipelines was dependent on bilateral relations between the two countries. "I hope this will help intensify business cooperation as a whole and enhance the process of such a large project as the Trans-Caspian oil transportation system," he said. The Trans-Caspian oil pipeline is a proposed 435-mile route from the Aktau port in Kazakhstan to Baku in Azerbaijan with connections to the Baku-Tbilisi-Ceyhan pipeline, the second longest in the world. There are plans for a similar natural gas pipeline. Jafarov said the volatile world economic situation made it necessary to move quickly on the project. "Lost time means a lost project, more so now, when all formats are changing," he said. Construction on the pipeline is intended to move ahead to the point that operations can commence by 2012. (UPI)

## **REPORTED INCIDENT IN GEORGIA TERRORIST ATTACK – MINISTRY**

**25 October**

A reported landmine explosion that killed the governor of Tsalendzhikha, a district bordering Abkhazia on Saturday, should be qualified as a terrorist attack, Georgia's Foreign Ministry said. In explaining the death of governor Gia Mebonia, the ministry said European Union observers, Georgian police and members of the Tsalendzhikha administration went to the village of Muzhava in the district on Saturday, to investigate an alleged incident the day before in which fire was opened toward Muzhava from Abkhaz territory controlled by Russian armed forces. "As the motorcade was approaching the site of the incident, two delay activation landmines exploded and fire was opened with grenade launchers," the ministry said in a statement. "As a result, the head of administration of Tsalendzhikha district, Gia Mebonia, was killed," the document said. "The EU observers remained unhurt," the statement added. On Friday, about 200 Russian troops approached the village Khurvaleti in the Georgian district of Gori and that "it was only the intervention of members of the European Union

mission that made it possible to defuse the situation," the statement said. The ministry urged resolute international measures "to prevent a new wide-scale provocation against Georgia that is being planned by Russia." Interfax has been unable to obtain comments on the statement from any Russian official so far. Earlier, the police chief of the Abkhaz district of Gali denied that Abkhazia was responsible for the alleged attack on of Tsalendzhikha. "There have been no incidents or armed attacks in the communities near the Georgian border over the past twenty-four hours," Lourens Kogonia told Interfax. Kogonia said, however, that a villager had been injured by a landmine near his home in Muzhava. The police chief claimed it was unclear who had planted the mine. The villager "had been gathering and selling nonferrous metal scrap and the incident most likely had to do with his activities," Kogonia said. He named the villager as Otar Sabulua. (Interfax)

### **PAKISTAN TROOPS KILL 11 TALIBAN MILITANTS: OFFICIAL**

**26 October**

Pakistani troops on Sunday killed 11 Taliban militants in clashes in a tribal area on the border with Afghanistan which is seen as a safe haven for Islamic extremists, officials said. The clashes in Bajaur came one day after the military announced it had recaptured an Al-Qaeda and Taliban stronghold in the area after two months of fighting which left 1,500 rebels and 73 soldiers dead. In one incident, insurgents attacked a security post on the outskirts of Bajaur's main town of Khar. Troops retaliated, killing six rebels, a security official said. Five more fighters were killed when troops attacked a suspected militant base in Charmang district, another security official said, adding that two militant vehicles were destroyed by helicopter shelling. On Saturday, the head of Pakistan's paramilitary Frontier Corps, Major General Tariq Khan, said forces had driven insurgents out of Loisam, a strategic town in Bajaur which is at a crossroads of extremist supply routes. Security forces captured more than 300 foreign militants in the operation, mainly from Afghanistan, Uzbekistan and Tajikistan, Khan said. Pakistan's tribal belt became a haven for hundreds of Al-Qaeda and Taliban extremists who fled the US-led toppling of Afghanistan's hardline Taliban regime in late 2001. Islamabad has previously hailed its operation in Bajaur as proof that it is responding to US and Afghan demands to take action against

extremists, who are accused of launching attacks on US and other foreign troops in Afghanistan. Khan said the operation in Bajaur "could go for several months before the area is completely cleared of militants". In neighbouring Mohmand tribal zone, 12 people, mainly paramilitary soldiers, were wounded late Sunday in a suicide car bomb attack on a checkpoint, a senior security official said. Elsewhere, 15 people including 10 Taliban militants were killed in a gun battle with locals in the restive northwestern Swat valley, which has been rocked by a violent campaign for Islamic law, officials said. (AFP)

### **ABKHAZIA MAY MAKE TERRITORIAL CLAIMS TO GEORGIA**

**27 October**

In the future Abkhazia may make territorial claims to Georgia, head of the Abkhaz parliamentary committee for education, science and culture Valery Kvarchia has told Interfax. "Several [up to 14] frontier villages currently under Georgia's jurisdiction such as Khurcha, Pakhulani and others historically belonged to Abkhazia and were given over to Georgia without any justification in Soviet times," he said. Kvarchia said a parliamentary commission set up to describe the border of Abkhazia has compiled a memo on the eastern and southeastern borderline. He accounted the formation of the commission to new circumstances - "the international recognition of the independence and sovereignty of Abkhazia, and the final liberation of its territory and return of primordial lands." Last Friday the parliament of Abkhazia passed a resolution approving the state border of Abkhazia which indicates that the border with Russia in the north and northwest will run along the Greater Caucasus Mountain Range from Mount Donguz-Orunbashi to Mount Agepsta and along the Psou river from its source to the Black Sea. In the south the border will run along the coastline. In the east and southeast Abkhazia will border with Georgia from Mount Donguz- Orunbashi, along the Neskra river to the Inguri and along the Inguri to the Black Sea.(Interfax)

### **OVER 200 MILITANTS SEIZED IN CHECHNYA IN 2008 - NURGALIYEV**

**27 October**

Chechen police have proven to be efficient, Russian Interior Minister Rashid Nurgaliyev said at the opening of the Sever battalion's compound in Grozny on Monday. "The Chechen Interior

Ministry seems to be one of the most efficient entities in the entire Russian police force. We judge by the number of prevented terrorist acts and strikes on militants," he said. "Four gangs were neutralized and more than 200 militants were seized in the first nine months of this year. The overall crime rate in Chechnya dropped by 22%," the minister said. (Interfax)

### **RUSSIA SEEKS LONG-TERM COOPERATION WITH MUSLIM WORLD – TATARSTAN'S PRESIDENT**

**28 October**

Russia has become a predictable partner of the Muslim world, President of Russia's internal republic of Tatarstan Mintimer Shaimiyev said. "One can say that Russia has clearly defined its strategic path in the Muslim East. It has become a predictable partner to the Muslim world," Shaimiyev told the opening ceremony of the fourth meeting of the Russia and Islamic World strategic vision group in Jeddah, Saudi Arabia. Shaimiyev, who is one of the Russian co-chairmen of the group, noted that the meeting will primarily be about "restoring the required level of trust and predictability in our relations, as well as making clear that the aspiration to develop long-term cooperation with the Islamic world is not a timeserving issue to Russia." The president of Tatarstan also said that there is mutual interest in developing cooperation between Russia and Muslim countries. "One should bear in mind the fact that strategic partnership with Russia, which seeks multi-polar world order and does not encroach on values, traditions, authenticity and sovereignty of countries of the Muslim East, is very important to Muslim countries as well," he said. The Russia and Islamic World strategic vision group was established in 2006. Shaimiyev and head of the Russian Union of Industrialists and Entrepreneurs (RUIE) Yevgeny Primakov co-chair the group on the Russia side. The group is a consultative body whose goal is to expand cooperation in all spheres between Russia and Muslim countries. (Interfax)

### **AZERI OIL EXPORTS UP SEVEN-FOLD**

**28 October**

Crude oil exports from major pipeline arteries in Azerbaijan generated about \$36 billion from January to September, state officials said Tuesday. Azerbaijan exported around 454 million barrels of crude oil, worth an estimated \$36.2 billion, from January. Around 13 million of that oil traveled by

rail, with the remainder channeling through major pipeline arteries originating in the capital, Baku, the Azeri Press Agency reported. Those exports were 7.1 times greater than during the same period last year. BP-Azerbaijan, a major operator in the region and majority shareholder of the Baku-Tbilisi-Ceyhan pipeline, forecast \$28 billion in infrastructure investments in the coming years. Meanwhile, the State Oil Co. of Azerbaijan said plans to expand its offices into Kazakhstan would help boost regional pipeline capacity through the Trans-Caspian energy routes. "I hope this will help intensify business cooperation as a whole and enhance the process of such a large project as the Trans-Caspian oil transportation system," SOCAR's Vurgun Jafarov said earlier this month. (UPI)

### **RUSSIA DETERMINED TO BROADEN INTERACTION WITH ISLAMIC WORLD – MEDVEDEV**

**28 October**

President Dmitry Medvedev has sent greetings to the fourth meeting of the Russia-Islamic World strategic vision group in Jeddah, Saudi Arabia, the Kremlin reported on Tuesday. "Russia's developing cooperation with the Islamic states remains highly dynamic. Your Group is playing no small part in this," Medvedev writes. "Russia, a country with observer status in the Organization of the Islamic Conference, intends to abide firmly to its course to expand active interaction with the Islamic world. I think in connection with this, that a broad discussion of the initiative to further develop interregional dialogue, proposed by King Abdallah bin Abd al-Aziz Al Saudi of Saudi Arabia, is of crucial importance, taking into account a significant role the religious factor is playing in international affairs," he said. "I am also convinced, that the implementation of the Russia-proposed idea of forming a consultative council of religions under UN aegis, will help strengthen the moral principles of world politics, facilitate deeper inter-confessional communication and, in a broader context, promote the dialogue of civilizations," the Russian president writes. "The illusion of the uni-polar world is becoming a thing of the past in front of our eyes. Forums like yours can contribute significantly to the search for ways to make the situation in the world healthier and to attain a new level of global partnership," Medvedev said. "I am convinced that Russia's active interaction with the Islamic world will help build a fairer system of international relations, where the factor of force will finally stop

playing the role of universal instrument of settling all emerging problems," he said. The message of greetings was read out at the meeting by Tatarstan President Mintimer Shaimiyev, on behalf of the Russian president. (Interfax)

### **SWISS EXPERT TO LEAD INTERNATIONAL PROBE INTO AUGUST WAR – KOUCHNER**

**28 October**

French Foreign Minister Bernard Kouchner said in an interview with the Russian daily *Kommersant*, published on October 28, that a group of "intellectuals, politicians and lawyers" will make up an international investigative commission, which would probe the causes of the August war between Russia and Georgia. Kouchner said that "a lady from Switzerland" would chair the commission. Although he refused to name her, he ruled out Carla Del Ponte and added that the person in question was an expert on Caucasus issues. The French foreign minister said that he hoped both Russia and Georgia would cooperate with the commission and "open up their archives." He said that a refusal to cooperate would cause international condemnation. "The commission will be meeting with defense ministers, presidents. I do not know whether Mr. Medvedev will agree. Anyway, why should he refuse to cooperate with the investigation?" Kouchner said. The Georgian leadership has stated several times it would cooperate with an international investigative group. Eka Tkeshelashvili, Georgia's foreign minister, told the Georgian parliamentary commission studying the August war on October 25 that Tbilisi was "open for cooperation with an international investigation." (Civil Georgia)

### **TEHRAN INTERESTED IN TIES WITH SCO: DAVOUDI**

**29 October**

First Vice-President Parviz Davoudi said on Wednesday that Tehran is determined to further expand ties with member states of Shanghai Cooperation Organization. He made the remark prior to his departure for Astana, Kazakhstan, to attend regular session of Prime Ministers Council of Shanghai Cooperation Organization to be held on October 29-30. Iran attaches special importance to its relations with the SCO member states, Davoudi told reporters gathered at Mehrabad International Airport. He added that Russia, China, Kazakhstan, Tajikistan, Uzbekistan, and Kyrgyzstan are the SCO member countries and Iran, India, Mongolia

and Pakistan are the observer states. Iran share common interests with the SCO member states, he said, adding that the two sides cooperate in the areas of expansion of exports markets, transit of goods, and transportation. The two sides also cooperate in the areas of security, campaign against extremism and anti-drug combat in the region, the VP added. The Shanghai Cooperation Organization is an intergovernmental mutual-security organization which was founded in 2001 by the leaders of China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan. Except for Uzbekistan, the other countries had been members of Shanghai Five, founded in 1996, after the inclusion of Uzbekistan in 2001, the members renamed the Organization. (IRNA)

### **TBILISI REFUTES 'WAR CRIME' CLAIMS**

**29 October**

BBC reported on October 28 that it had obtained evidence suggesting Georgia used indiscriminate force and may have targeted civilians in South Ossetia during the August war. BBC also reported that during its first unrestricted visit to the region, it had also seen homes in ethnic Georgian villages "not just burned by Ossetians, but also bulldozed." "We strongly deny any accusation of war crimes; but of course, we are very open for any kind of comments, we are very open for any kind of investigation," President Saakashvili told BBC. "We called for the international investigation into conduct of this war, in the conditions leading to this war, into circumstances leading to this invasion." "When you are talking about indiscriminate use of fire, we have clear-cut evidence that town of Tskhinvali was shelled from dozens and maybe hundred [of times] – but dozens we can prove at this moment with video footage as well as documentary evidence from the Russian army and from the Russian journalists indeed – by the Russian troops for several days." "There were certainly war crimes committed, certainly not by us and certainly we want investigation of those war crimes; we demand that that people who are responsible for those war crimes are brought to international justice," Saakashvili added. British Foreign Secretary David Miliband told BBC that during his visit to Georgia he had raised "the questions that have been asked and raised about war crimes and other military actions by the Georgian authorities... We have acted in this without fear, without favour." "I think the Georgian action was reckless, I think the Russian

response was disproportionate and wrong... It's important that the Russian narrative cannot start with Georgian actions; it has to start with the attacks on the Georgians from the South Ossetians and that is the tit-for-tat that got out of control. And that is the series of events that have landed us where we are." BBC also reported that houses burnt in ethnic Georgian villages in the breakaway region "are now expected to be replaced by a brand-new housing complex with a cinema and sports facilities to be financed by the city of Moscow." (Civil Georgia)

**MEDVEDEV: RE-ARMING OF  
'SAKASHVILI REGIME' UNDERWAY**

**29 October**

Russian President Dmitry Medvedev said on October 28 that plans were underway to re-arm "the

Saakashvili regime." "We will continue supplying weapons and equipment exclusively for the purpose of maintaining the defense capabilities of our partner [states]," Medvedev said at a meeting of the State Commission on Foreign Military Cooperation on October 28. "But as the August events have demonstrated, not all members of the international community abide by such an approach. We know how diligently a number of states delivered arms to the Saakashvili regime, thus actively encouraging it in its aggression. Now, plans are underway to re-arm this regime." "Unfortunately, a number of states close to us also participated in this. We will not forget this and we will certainly take this into consideration in our practical policies. I would like everybody to bear this in mind." (Civil Georgia)