

# Central Asia-Caucasus Analyst

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## EDITORIAL PRINCIPLES

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

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### **Analytical Articles:**

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

Analytical article structure:

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

**BACKGROUND:** 200-300 words of analysis about what has led up to the event or issue and why this issue is critical to the region. Include background information about the views and experiences of the local population.

**IMPLICATIONS:** 200-300 words of analysis of the ramifications of this event or issue, including where applicable, implications for the local people's future.

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

### **Specifications for Field Reports:**

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

Those interested in joining The Analyst's pool of authors to contribute articles, field reports, or contacts of potential writers, please send your CV to: [svante.cornell@pcr.uu.se](mailto:svante.cornell@pcr.uu.se) and suggest some topics on which you would like to write.

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# AZERBAIJAN UNDER IRANIAN AND RUSSIAN PRESSURE ON RELATIONS TO U.S.

*Fariz Ismailzade*

*Increasing military cooperation between the U.S. and Azerbaijan have raised concerns in political circles in Moscow and Tehran over the possible establishment of American military bases in Azerbaijan. This has pushed Russia and Iran to seek diplomatic and economic channels to refrain official Baku from this. While Russia has aggressively used "economic tools" to increase its influence over Baku, Tehran has both used a first-ever presidential visit and harsh diplomatic rhetoric to scare off Baku. Thus Azerbaijani policy-makers are confronted with a difficult choice, which risks ruining its fragile "balanced foreign policy" course. And whereas it is important for the Azerbaijani leadership to take the concerns of the regional powers into consideration, it would be premature to bend to these threats at the expense of the vital partnership with America.*

**BACKGROUND:** Since the independence of Azerbaijan was restored in 1991, the political leadership of the country has followed a foreign policy course toward integration with Western political, economic and security institutions. This has particularly intensified since the terrorist attacks of September 11, 2001, after which Azerbaijan joined the U.S.-led international coalition against terrorism. and Azerbaijan has sent peacekeeping troops to both Afghanistan and Iraq. Military cooperation between the U.S. and Azerbaijan has significantly increased in the last few years, mainly due to U.S. assistance to Azerbaijan in the sphere of border security, maritime security and anti-terrorism.

The increasing military cooperation between Washington and Baku and the recent visits of U.S. Secretary of Defense Donald Rumsfeld to Azerbaijan prompted many speculations that the U.S. was planning to establish military bases in Azerbaijan. The U.S. Government's decision to relocate troops from Germany into Eastern Europe intensified these speculations even further.

This could not go unnoticed by regional powers Iran and Russia, which traditionally oppose the American presence in the Caspian region. In the past year, Russia and Iran have used carrot-and-stick policies to push Azerbaijan towards rejecting the idea of American military bases on its soil.

Iranian President Mohammad Khatami for the first time visited Baku in early September to warm up bilateral relations between the two countries, who have been lacking mutual trust since Azerbaijan's independence. Lately, however, both Khatami and his foreign minister Kamal Kharrazi have used harsh rhetoric regarding U.S.-Azerbaijani relations. "We are against the military presence of foreign countries, particularly the U.S. in the Caspian basin. This presence cannot provide security, but on the contrary will destabilize the situation in the region," said Kharrazi. Analysts believe these remarks are squarely aimed at Baku.

Russia, on the other hand, has intensively used economic tools to increase its influence over Azerbaijan. In the past year, visits by the chairman of Russia's United Energy Systems (RAO UES) Anatoliy Chubays, Moscow mayor Yuri Luzhkov, Audit chamber head Sergey Stepashin and Minister of Transportation Igor Levitin to Azerbaijan raised speculations about Russia's intentions in the South Caucasian republic. Chubays has expressed Russia's interest to participate in energy production and distribution projects in Azerbaijan and Levitin offered to restore the direct railway between Baku and Sochi and to intensify the activities of the North-South transport corridor. But at the same time, Russia following the Beslan tragedy closed

its border with Azerbaijan, creating economic hardships for Azerbaijani entrepreneurs. Close to two million Azerbaijanis work in Russia and harsher immigration policies imposed by Moscow would significantly hurt their economic well-being.

**IMPLICATIONS:** One can not but link the activities of Moscow and Tehran to the possibility of American military bases in Azerbaijan. Iranian political scientists and policy-makers have been particularly concerned with this issue and have argued that American bases would threaten the national security of Iran. The Iranian worries might push its political leadership to more radical steps towards Azerbaijan, such as officially rather than covertly siding with Armenia on the Nagorno-Karabakh conflict. Iran is also likely to continue to push the negotiations over the legal status of the Caspian Sea into a deadlock until it is convinced that the Caspian basin is secure and free from “outsiders.” A less likely, but always possible scenario for Iran, is to spread Islamic radicalism in Azerbaijan, thus seeking to install a political regime that is favorable to the Iranian cause.

Russia, on the other hand, has reacted to the increasing American military presence in Azerbaijan by attempting to increase its economic tools in the country. Local analysts immediately labeled the visits of Russia’s economic policy-makers as an attempt to increase Russia’s presence in Azerbaijan, more specifically increase control over the country’s energy and transport systems and thus be able to use this tool for political purposes in the future. Many explained this as a return favor of President Ilham Aliyev to President Putin for the support and strong endorsement that Putin showed to Aliyev during last year’s presidential elections.

Russia has traditionally used meddling in ethnic conflicts as a way to dominate the Caucasus, but it is clear that in the past few years Russia has been increasingly utilizing economic tools as well for the same purpose. Russia has stepped up efforts to purchase or rent economic facilities in the former Soviet republics and by doing so to own the economic and thus political base of these

countries. Last year, Russia cemented deals with Armenia and Georgia on purchasing the two countries’ energy systems. Armenia has also given Russia several important industrial objects, thus further integrating the country’s military industrial system into the Russian one. Similarly, in Latvia, Russia attempted to privatize a major oil refinery.

The majority of Azerbaijanis still fear Russian intentions and believe they pose a major threat to the country’s national security. The experience of the 1990s showed that Russia can well utilize economic, specifically energy tools for political purposes, as was the case in Georgia, Belarus, Ukraine and Armenia. Therefore, the Azerbaijani government will have to think twice before bending to the Russian pressures on this issue.

**CONCLUSIONS:** As much as Azerbaijan tries to pursue its “balanced foreign policy”, the political leadership of the country is often confronted with a difficult choice: to ally itself with the West or try not to anger regional powers Iran and Russia. The intensifying cooperation between the U.S. and Azerbaijan and the integration of official Baku into Euro-Atlantic security institutions have prompted Russia and Iran to pursue “carrot and stick” policies towards Baku to prevent the establishment of U.S. military bases in Azerbaijan. Diplomatic and economic channels have been utilized by Moscow and Tehran to pressure Baku. Yet, it will be in the interests of the national security of Azerbaijan if the political leadership realistically assesses these pressures before bending to them and relenting on its relations with Washington. In Baku’s eventual decision, the currently cold diplomatic attitude toward Azerbaijan on the part of the State Department and the U.S. political leadership – in contrast to the Pentagon’s positive approach – could become a determining factor.

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# THE DESTRUCTION OF YUKOS AND THE SLOWDOWN OF RUSSIAN CASPIAN PROJECTS

*Pavel K. Baev*

*October 26 marks the first anniversary of imprisonment of Mikhail Khodorkovsky, the owner of Russian largest oil company Yukos, on charges of tax evasion. In retrospect, the highest-level decision to put him behind bars marked a major watershed in Russia's political trajectory from which it has been sliding towards curtailing democratic institutions and reversing economic reforms. Much attention is currently focused on President Putin's initiatives for reshaping Russia's political landscape, but these internal trends inevitably have repercussions for foreign policy, including such a key direction as the Caspian region.*

**BACKGROUND:** The spectacular arrest of Khodorkovsky by a large detachment of special forces has led to a protracted court case where the prosecution faces embarrassing setbacks in making its case. In parallel, an avalanche of claims on underpaid taxes for 2000-2002 has swept Yukos, so that its most valued asset, Yuganskneftegaz, is now undergoing pre-sale evaluations accompanied by loud scandals. It is quite clear that the original plan designed somewhere in the Kremlin corridors that the corrupt 'oligarch' would give up his 'energy jewels' for a one-way ticket from Russia has failed because Khodorkovsky refused to play along. What is also evident is that the Yukos drama has developed its own inertia and brought not only a general deterioration of the investment climate in Russia but also a sustained expansion of the state control over the oil sector. The Kremlin has monopolized not only strategic decisions, for instance about channeling oil exports to China or to Japan, but also most managerial decisions about investment priorities or choice of foreign partners. What is less evident is the sharp decline in efficiency of management of the oil industry, which is mostly covered by the even sharper rise of the world oil prices. Putin's lieutenants and mandarins have engaged in bitter infighting for controlling the most profitable companies and contracts, so the

quality of decision-making in both strategic and tactical terms has slipped below average. The few remaining economic liberals in the presidential 'team' have recently voiced concerns about expanding state interference in the energy business, citing the Yukos case as an example of political drive against economic rationale. This 'politicization' of the energy industry determines the prevalence of short-term (and often corrupt) group interests over mid-term state interests centered on channeling abundant (and even redundant) 'petrodollars' towards Russia's modernization.

**IMPLICATIONS:** One direct consequence of the Kremlin's tightening grip over the oil business has been the concentration of attention on asserting control over the truly enormous hydrocarbon riches of Siberia. The confiscation of Yuganskneftegaz and its de-facto renationalization is probably the main focus of this attention, and the 'friendly takeover' of Rosneft by Gazprom (accompanied by embarrassing squabbles inside the Kremlin) was in fact a result of related calculations. Seeking to become a dominant force across the Siberian oil provinces, Gazprom has been also putting pressure on BP/TNT and Shell, demanding a share in their projects in Kovykta and Sakhalin, respectively. It is possible to note that some promising Yukos-led projects, such as the construction of a large oil terminal in

Murmansk, have been abandoned just because they are associated with Khodorkovsky, but the main point here is a different one. The focus on Siberia has led to a visible de-prioritization of the Caspian direction in Russia's energy policy and, by extension, foreign and security policies as well. Some confirmation of that can be found in the official general overviews produced by the Ministry of Industry and Energy, which by and large skip the Caspian projects, mentioning only the plans for expanding the capacity of pipelines linked to the Novorossiisk terminal and the projects for shortcuts around the Bosphorus bottleneck. Even more symptomatic has been the behavior of LUKOil, which used to be the main driving force behind the Caspian expansion. In the second half of the 1990s, this company was not shy to challenge the Russian Foreign Ministry position on the Caspian problems, entering into major deals with international oil 'majors'. Since the start of the attack on Yukos, however, it has preferred to keep a low profile. Even with such vital matters as the sale of the last package of its own shares held by the state (the not insignificant 7,5% of the stock), the LUKOil management left it entirely to the Kremlin to decide about the buyer – and has expressed undiluted enthusiasm about the choice for ConocoPhillips. The most recent assessments presented by LUKOil and its announcements concerning plans for investments are uncharacteristically reserved in the Caspian direction, with the maximum figure of 18% of the company's total hydrocarbon production by the year 2020. In its press-releases, there is no mention of the Caspian Oil Company, formed back in 2000 together by LUKOil, Yukos and GAZPROM, for integrating their activities in the region. Overall, LUKOil is obviously eager to follow the Siberian guidelines drawn by the Kremlin and is not going to take any initiative in the politically sensitive Caspian region.

**CONCLUSIONS:** Rigidly centralizing political and economic decision-making, Putin's team inevitably experiences problems with

attention span and currently the Caspian problems, demanding as they are, are mostly disappearing from the Kremlin's radar screens. Kazakhstan has clearly been selected as the key ally and business partner, so considerable efforts are periodically invested into upholding these ties and making sure that the forthcoming 'big oil' from Kazakhstan would be exported through the Russian pipeline system. No need in backing these cordial relations with raw power is currently seen, so the large-scale military exercises staged in the Caspian waters in summer 2002 were not repeated either last year or this year. The only political opportunity in this direction that is actively explored at the moment is a complex nuclear-hydrocarbon deal with Iran. This country is facing a potentially grave international crisis focused on its nuclear program, and Putin would love to steal a triumph of resolving it through an agreement securing the exclusively civilian character of this program and guaranteeing the return of spent fuel to Russia. Foreign Minister Sergei Lavrov tried his best to prepare such an agreement for a possible Putin's visit before the IAEA deadline of 25 November, but the signals he has received in Tehran are lukewarm at best. The foreseeable 'no-deal' would probably accentuate Moscow's disengagement from the Caspian, and many actors doing business in the region would not mind at all the absence of Russian meddling and bullying. Nevertheless, the lack of sustained attention from Moscow and the centrally-planned diversion of economic interests increase the unpredictability of Russia's reactions in the possible crisis situations. Caspian security and development depends upon Russia becoming a major stakeholder, but Russian companies, with *Yukos* in mind, are not investing.

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# FINANCING RUSSIA'S CENTRAL ASIAN EXPANSION

Gregory Gleason

*Until recently the missing component in Russia's plans for extending influence throughout the Caucasus and Central Asia was Moscow's inability to finance expansion. Buoyed by petroleum profits and an expanding banking sector, the Kremlin is attaching a new importance to the financial management of its foreign policy initiatives. Under Kremlin guidance, Gazprom and United Energy Systems (UES), have aligned with Russia's investment banking sector to develop new strategies for winning control of energy and transportation with the aim of advancing Russia's strategic position along Russia's Asian perimeter. The Kremlin can pave the way for new projects with state held equity, state guaranteed loans, or debt-for-equity swaps, but these instruments come with their own forms of risk.*

**BACKGROUND:** More than a decade of experience of the Commonwealth of Independent States (CIS) demonstrates the substantial barriers facing integration among the Eurasian countries. The CIS was originally established in 1991 for two purposes—to contribute to the collective security of the post-Soviet countries and to maintain the “common economic space” of the Soviet period. The CIS's economic purpose proved more challenging than its framers anticipated. More than a decade of broadly unsuccessful efforts to coordinate reciprocal arrangements have convinced the governments of the region that mutual interests do not necessarily imply cooperation.

Confronting these barriers to cooperation and identifying financing and investment as the weak link in previous efforts at integration, the Putin leadership has sought to refashion arrangements among the Eurasian states with a new strategy of regional economic integration. For several years, Russia's constrained financial resources restricted the state's ability to exert influence over its southern neighbors. Soaring oil prices have changed that situation.

The Kremlin is now putting a high priority on coordinating the fuel and power sectors with the banking sector. The goal is to expand Russia's influence through expanding Russia's control over infrastructure in the Caucasus and Central Asia. Russia has a comparative advantage in energy and

power, with highly skilled technical specialists and advanced technologies in drilling and transporting. But Russia has been hampered by the weakness of the banking sector. Now the Russian government is experimenting with new financial instruments to complement its strengths in the energy and power sector. The Russian government is offering to take direct equity in power and transportation enterprises, to offer guaranteed loans and credits and to exchange sovereign debt for equity in enterprises.

**IMPLICATIONS:** Russia is seeking to reintegrate the Soviet-era electric grid to establish UES as the dominant player in the region's power market. In order to capture market position, UES has negotiated power supply agreements with Armenia, Azerbaijan, Georgia and Kazakhstan on terms attractive to the countries. UES took responsibility for running Armenia's Medzamor power plant in 2003. In September 2004, UES concluded a deal to take a 50 percent equity share in Kazakhstan's large Ekibastuz power plant. In October 2004, UES took responsibility for maintaining Georgia's main power plants.

To facilitate energy trade with Turkmenistan, Russia has established bank credits and secured transaction arrangements. In April 2003, Turkmen President Niyazov and Russian President Putin concluded a 25-year agreement on natural gas trade. In March 2004 the Russian National Reserve Bank was granted responsibility for regulating debt claims

for Turkmenistan's gas marketing firms Itera and Zarit. In July 2004, Gazprom created a new firm, Rosukrenergo, that was granted exclusive rights to market Turkmen gas for the Ukrainian market.

Flowing from a larger, integrated power strategy that links Russia's natural gas reserves with Central Asia's hydroelectric potential, Russia is seeking to expand its role in the Kyrgyz and Tajik hydroelectric industry. Hydroelectric power is cheap, but subject to seasonal fluctuation. In Central Asia irrigation and heat users compete for control over generation schedules, as upstream communities prefer to generate heat in winter and downstream communities prefer for water to be available for summer irrigation. Linking gas and hydroelectric therefore makes economic and environmental sense; gas-fired plants can supplement hydroelectric during peak periods, are environmentally friendly, and can be situated close to urban populations.

Despite considerable attention from the international financial institutions, Kyrgyzstan and Tajikistan's hydroelectric sector have not attracted outside investment, because they continue to run at a loss. Tajikistan's municipal electricity tariffs recover less than half of production costs. UES chief Anatoly Chubais headed a delegation to Kyrgyzstan last August to negotiate investment in Kyrgyz hydroelectric stations. The Russians agreed to invest \$350 million in the Kambar-Ata # 2 station and to develop a larger investment package for the larger Kambar-Ata # 1 station by 2007.

Russia has proposed to assist Tajikistan by trading sovereign debt for equity in hydroelectric facilities. A debt-for-equity swap is essentially a barter transaction. As in all barter transactions, the true terms of exchange are disguised because there is no independent assessment of the worth of assets traded. The parties may agree, but that does not mean that the trade necessarily reflects fair market value.

Tajik domestic electric demand is now met from the large Rogun dam high on the Vakhsh cascade. The construction of dams lower along the Vakhsh was interrupted by the Soviet collapse and the Tajik civil war. The civil war also left Tajikistan heavily indebted to Russia. Last August UES played a key role in forming a consortium to finance the completion of the Vakhsh power stations. When

Russian President Putin, accompanied by Anatoly Chubais, met with Tajik President Rahmonov on October 17, 2004, the presidents announced an investment package of \$560 million, including \$299 in debt-for-equity.

**CONCLUSIONS:** Russia's expansion into Central Asia is driven by political rather than economic considerations. The Kremlin is concerned with countering American and European influence in the region while also presenting obstacles to Chinese encroachment. Harnessing Russia's comparative advantage in energy and power would indeed seem to be a way to make good business out of strategic purpose. Without question, the fusion of the Russian government, the large Russian oil and gas companies, the Russian electric power utilities, and the newly emergent Russian banking sector has created a forceful new dynamic in the Central Asian region.

But using political criteria for business calculations invariably involves risk. There are reasons that the Central Asia and Caucasus power enterprises have not attracted commercial investment. Taking over assets that have been passed over by commercial investors implies taking on the responsibility for low-producing or even loss-generating enterprises. The political benefits may exceed the economic costs and, once the enterprises have been restructured, they may return to profitability. In this case, the overall strategy may work. If so, Russian enterprises could be strategically well placed for future expansion. As demand for power increases in the decades ahead in west China, Afghanistan, India, and the Middle East, Russian enterprises will be in a position to respond. However, if unexpected shifts in demand or unanticipated technological developments should change the situation, the Russian government could find itself shouldering unexpected burdens as the Central Asian enterprises continue to produce losses, demand subsidies, and provide only minimal strategic advantage.

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## REACTIVATING THE ECO: A MYTH?

*Asma Shakir Khwaja*

*The expanded ECO covers a territory of more than seven million square kilometers and embraces over 300 million people. Though the ECO is a snail-paced organization, its member states wish to see it at par with the European Union or ASEAN. More than 100 agreements among ECO members have been signed, but the pace of implementation is slow. The 8th ECO summit was held in Dushanbe, Tajikistan on September 14. The Presidents of Iran, Kyrgyzstan, Afghanistan and Tajikistan attended the summit. Azerbaijan, Turkey and Pakistan were represented by prime ministers. Uzbekistan sent the speaker of the national parliament and Turkmenistan sent a deputy speaker of parliament. Issues of terrorism, drug trafficking and money laundering were on the top of the summit's agenda.*

**BACKGROUND:** During the summit, leaders vowed to reactivate the ECO. Pakistan was the torchbearer of this idea. While reasserting Pakistani President Musharaff's "enlightened moderation" as a prescription for peace & harmony, Prime Minister Shaukat Aziz proposed a strategy, which calls for result-oriented policies within ECO, suggesting that an implementation mechanism should be devised by member states. The declaration issued at the end of the summit recognized transport and communication, trade and development as priority areas. A fund was set up to finance reconstruction of Afghanistan. So far, Pakistan has promised to contribute \$5 million to the fund. The fund would be used to finance regional energy projects. It was also suggested that the fund could be used for infrastructure projects, such as a proposed highway link between Iran and Tajikistan that would pass through northern Afghanistan.

Historically, the ECO is never been short of plans. In 1992, a Preferential Tariff Arrangement between Pakistan, Iran and Turkey was established. It provides for 10% reduction in tariffs on a list of specific items. Six ECO Institutions and two regional arrangements were created in 1995, including ECO Trade and Development Bank, ECO Reinsurance Company, ECO Shipping Company, ECO Air, ECO Cultural Institute (Tehran) and ECO Science Foundation (Islamabad). The two agreements that have come into effect are the ECO Transit Trade Agreement

and the Agreement on Simplification of Visa Procedures for Businessmen of ECO Countries. In 1997, the Development of Transport and Communications Infrastructure and a Network of Transnational Pipelines in the ECO region were tabled. The project-oriented Almaty Outline Plan underscores the importance of a modern transport and communication infrastructure linking the ECO member-states with each other and with the outside world by road, railway, and air. The establishment of the Trade and Development Bank in Istanbul and the Re-insurance Company in Karachi would provide further impetus for enhanced intra and inter-regional trade.

The Communiqué issued at the end of the Dushanbe summit 2004 stressed the importance of implementing the Trans-Asian Railway main line, which connects Almaty to Istanbul. It also emphasized the need to strengthen the Drug Control Coordination Unit (DCCU) at the ECO Secretariat.

**IMPLICATIONS:** Among the ECO states, Pakistan and Afghanistan can play the most vital role. Pakistan's capital is closer to many Central Asian cities than to some of its own. It offers the shortest trade route to the sea. Pakistan has put in place the relevant services, which range from transport and trade to business and joint ventures from banking and insurance to technical expertise. It is developing additional infrastructure facilities, which would serve both bilateral and transit trade,

through the Gwadar and Karachi ports. During the ECO summit, a trilateral dialogue between Pakistan, Afghanistan and Tajikistan took place on a two-point agenda of land and road links (for which Pakistan's National Engineering Services would study the final route) and buying electricity from Tajikistan using the same route. The possibility of establishing a regional electricity grid, which could also meet the energy requirements of Pakistan, is also under consideration. Tajikistan is selling its power to Russia ca. 4,000 kilometers away. Pakistan is building a 14-kilometer road link with Afghanistan through the Wakhan corridor to speed up economic activities, and this road link is seen as a road and power link onward to Tajikistan just across the Wakhan corridor. Islamabad and Dushanbe agreed upon connecting the two countries through a road link.

Pakistan is also evaluating the prospects of linking Peshawar to Termez in Uzbekistan and Chaman to Kushka in Turkmenistan. Tajikistan's consulate in Islamabad will also be upgraded to embassy level, while a branch of a Pakistani bank will be established in Dushanbe. Pakistan has agreed to reschedule its \$13 million loan to Kyrgyzstan.

On the other hand, Iran pursues its strategy to expand relations with the regional states. Its trade with Tajikistan has tripled in recent years. Tehran has also proposed that reforming the mechanisms of ECO decision-making and establishing an ECO free trade zone will help reactivating the organization.

**CONCLUSIONS:** The Dushanbe Declaration is the culmination of a series of efforts and developments for strengthening the ECO framework for regional cooperation through the conclusion of bilateral and multilateral agreements to promote trade, commercial relations and economic cooperation. There are nevertheless a number of impediments in reactivating the ECO. The establishment of a free trade zone is difficult when basic infrastructure necessary in this regard is lacking. Result-oriented cooperation at a people-to-people level is also missing. Leaders who want to see the ECO as intra-regional link cannot ignore

the importance of political will to integrate their economic interests, especially when three of them – Iran, Pakistan and Turkey – are in competition in Central Asia when it comes to some areas.

The Dushanbe summit emphasized the importance of developing transport links, which can be materialized only when member states have transformed their internal infrastructures accordingly. It is nevertheless unlikely to work unless non-governmental organizations come forward to promote interaction in trade, commerce, education, tourism, and other fields. Cooperation at the non-governmental level was an important prerequisite for the success of the EU and ASEAN, but such a trend is presently not to be seen among the ECO states. Travel and trade restrictions due to authoritarian regimes, religious extremism and the terrorist threat continue to discourage the pace of regional cooperation and those who want to link the ECO members through joint ventures. Most of the ECO member states are experiencing terrorism, religious militancy, increases in drug trafficking, and numerous inter- and intra-state conflicts. Afghanistan's continued instability also remains a major obstruction for expediting the process of cooperation.

In the presence of such circumstances, implementing the declarations passed by various ECO summits is a difficult task. Reactivating the ECO will require a pragmatic approach on the part of all states, especially the larger members. That is in turn dependent on the internal processes in the ECO member countries, and the struggle against terrorism and drug trafficking. If the situation in Afghanistan stabilizes and the ECO member governments ease trade and travel restrictions, much can be done to reactivate ECO. Such a task is difficult but remains attainable.

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## **FIELD REPORTS**

### **AFGHANISTAN'S PROFITABLE PAST**

*Daan van der Schriek*

International smugglers, in cooperation with Afghan warlords and officials, are stealing artifacts from Afghanistan's rich past at an increasing rate. And there's little the government can do to prevent this as long as it lacks credible authority outside the capital.

Some 15 miles west of Mazar-e-Sharif lies the sleepy village of Balkh, amidst the impressive ruins of the ancient city of the same name – an old trading place between East and West that saw various illustrious visitors, such as Zoroaster, Alexander the Great and Genghis Khan. Today the site is receiving visitors as unwelcome as the Mongol conqueror who destroyed the town in 1220: illegal diggers who smuggle the site's many and invaluable artifacts out of Afghanistan.

Illegal excavation and export of archeological treasures does not just happen in Balkh – It takes place everywhere in Afghanistan. “The country is one big museum,” says Afghanistan's minister of information and culture, Sayed Raheen. Afghanistan has always been at the center of trade between Europe and Asia and today, there's hardly a place where no valuable antiquities can be found. This has had its negative consequences however: it attracted unwanted attention from international art-thieves who, often in cooperation with local Afghan warlords or officials, started to rob the country of its history.

In some places, the result has been disastrous. Ai Khanoum, the site of an ancient Greek city in northeastern Afghanistan, has been completely robbed empty: “It has been finished by looters,” says Ana Rodriguez of the Society

for the Preservation of Afghanistan's Cultural Heritage, an NGO. It is now feared places like Balkh might go the same way – and in the absence of government funds there's little that can be done to prevent this.

Although practically all provinces in the country suffer looting, the provinces that are most affected by it at the moment are Logar, Kapisa, Takhar and Balkh. The latter two are in the north; the former two close to Kabul. But even here the government is unable to prevent any looting, carried out by “warlords and national and international mafias,” according to Raheen.

And the criminals make good money. According to some reports, smuggling archeological artifacts could be about as profitable as smuggling drugs in Afghanistan. A former head of UNESCO (the UN's culture agency) in Afghanistan put the worth of the “antiquities industry” at \$32bn. But according to a foreign expert working in Afghanistan, this is a ridiculously high amount and the present UNESCO consultant for culture in Kabul, Masanori Nagaoka, is more sober and does not want to give any figures “because we don't [even] exactly know how much has been stolen.”

The culture minister receives many reports every week detailing specific cases of looting. But not only is he unable to do anything about them – the people who brought them the reports are often beaten or arrested by the local strongman they denounced when they get back home from the capital. The minister therefore doubts whether UNESCO's awareness campaign – telling people they shouldn't steal

artifacts and that they should inform the authorities when this happens – can be successful. Not because the people are dishonest, but because practice shows the government is unable to protect them from the denounced warlords.

It's not just warlords that are involved, though. According to international experts and Afghan officials, these days the illegal trade in Afghan artifacts goes more or less as follows: local people dig at sites for a fixed salary on the orders of a local strongman – perhaps a warlord, or perhaps some other official. The foreign expert believes that many local officials have “gone over” to the smugglers. “More money is to be made by assisting the stealing than by protecting the sites,” he says.

And what is found is then bought up and collected by smugglers – reportedly often Pakistani – with international connections who bring it into the art market. Most of it is first smuggled into Pakistan via the lawless tribal areas before it goes abroad. And much, according to the foreign expert, might end up in the hands of the rich readers of glossy art magazines that not seldom denounce such illegal dealings.

What seems to be necessary, then, is strong power – not an awareness campaign. The

culture ministry has tried to establish a 500-men police force to guard some of the most important archeological sites but again, a lack of money is causing problems. Raheen acknowledges that even salaries are inadequate. And the foreign expert believes that the unit “does not work.” It certainly does not scare the smugglers. Last year, four of its members were found murdered at the site they were protecting.

The only safe place for archeological treasures in Afghanistan today is Kabul, where the government really is in charge. The archeological museum in town has been reopened just over a month ago. However, the museum had to incur losses earlier, during the civil war in the 1990s, when the building was often frontline territory. “We’ve lost a lot,” says Mr Masoudi, the director of the museum, who has been working there for 27 years. “Sometimes [the looters] took simple things and left what was valuable,” he says. Usually, however, “they knew what was precious” – and took it. In the end, 70 percent of the museum’s collection went missing. It looks like this is exactly what might happen to archeological treasures countrywide, as it is difficult to attract international attention to the issue.

## **GEORGIA’S ENDEMIC UNEMPLOYMENT PROBLEM**

*Kakha Jibladze*

Unemployment is endemic in Georgia. Although the official statistics places the unemployment level between 6% and 17%, depending on the source, outside estimates are quite higher. According to the USAID Congressional Budget Justification for 2004, over 20% of the population is unemployed. Unemployment is not just an economic

problem. As whole generations are sitting at home, waiting for work, many young people are turning to crime and drugs. Drive through any village and the prevailing image is of young, employable men standing in groups on the street, smoking.

In Tbilisi the situation is not better. On any given day, dozens of men stand around the Iliava Bridge in the city waiting for work. Their tools lie on the ground beside them as cars slowly pass by, looking for construction workers or day laborers. Giga Gogoladze began waiting for work under this bridge after he lost his job eleven years ago at the Chatura Magnumi, a mining complex in western Georgia. "I came here, to Tbilisi, to see my future as a worker. If I am lucky someone tells me to come with them, and offers me money for my work," Gogoladze said. If experts think unemployment is around 20%, from where Gogoladze is standing, it looks a lot more serious. "The unemployed are not only people here under the bridge. In Georgia 70% of the population does not work. And if they work, their salaries are very low," he said.

Georgia has not always had a problem with unemployment. According to Uza Blagidze, who once worked in factories in the industrial town of Rustavi, the government could not find enough workers during Soviet times. People were continually brought in from the countryside; even former prisoners were welcome. Blagidze, like many others, came to Rustavi from a village in western Georgia to find work. According to a report published by Tamaz Zubiashvili and Mirian Tukhashvili at the Institute of Demography and Sociological Studies in Tbilisi, that trend has changed. In their report, they cite the economic crisis in the country as one of the reasons people were moving from urban areas to rural communities. Blagidze was one of the many who left unemployment in the city for farming in the regions. After several failed attempts to create a viable existence for his family, including a son in his late 20s, Blagidze commented that Georgians need work. "Young people don't work...They all just sit around." He added that when people don't work, it never ends well.

But today, if anything, the situation is worse. Reports from sources as varied as the CIA to the BBC bemoan the lack of development in the economic sector, despite millions of dollars of revenue. Successful economic projects, such as the Baku-Supsa Oil Terminal and the BP Baku-Tbilisi-Ceyhan Pipeline, are promising notes on an otherwise poor report card. There are no serious enterprises in the regions. Tourism has started to take root again near the Black Sea, but that industry is viable only during the months of July to September and the relatively shallow pool of revenue is not enough to employ the scores of unemployed in the villages or towns.

Due to the serious economic crisis in rural Georgia, people are again risking the poor living conditions in the capital for the chance to make a living. "You see these people here? We are all from Imereti and Samegrelo. Here is much better than in the regions. There are a lot of people here and therefore there is work here," Gogoladze said. "Sometimes they want something built, sometimes something needs to be torn down... various jobs are available."

The lack of work can be easily explained by the fact that practically none of the former large factories and processing plants are currently in operation. According to Kote Kavtaradze, responsible for economic development in Kutaisi, there were once 30 heavy industries and 40-50 light industries in the city, making it the industrial center of western Georgia. Now the city is having problems attracting investors, and NGOs in the area complain that even basic services such as electricity are not available in the city. No serious investor seems to be looking at the region.

According to a report issued by the United States Bureau of European and Eurasian Affairs in June 2004, all economic activity in Georgia is operating 'below potential.' The report goes on to say, "The low level of increase in trade and GDP are due to fundamental economic problems that have eroded investor confidence

in Georgia. The poor fiscal situation, pervasive corruption, and arbitrary implementation of laws and regulations have inhibited economic growth in the country."

Georgia is in desperate need of viable investment to rebuild the devastated industrial sphere. On October 18 President Saakashvili visited the site of a proposed new oil terminal in the village of Kulevi, in the Khobi region of Samegrelo. According to reports on the Imedi television station, the oil terminal will, once completed, provide jobs for an estimated 2,000 people. Georgian businessman Badri Patarkatsishvili, who is investing in the project, said that he chose to invest in Samegrelo because there is no work in the region for the local population. "I decided to start there so local people will have jobs," he said, adding that the revenue will be good for the local budget. The terminal is scheduled to open in 2006.

Other investments are planned for the regions, including the redevelopment of tea and citrus industries, which represent the former livelihood of the majority of people in western

Georgia and Adjara. "If we finally decide to invest in these enterprises, by next year we will start working in Adjara and the Adjaran people themselves will be employed in the enterprises", businessman Gogi Topadze, founder of the Kazbegi brewing company, was quoted as saying.

These investments are crucial for the survival of the population. Through thirteen years of change, reforms and corruption, the people of Georgia have been promised a lot of investments and a lot of jobs. Not many have materialized. After eleven years of struggling to support his family, Gogoladze is counting on this administration to turn the promised investments into real jobs. "I really believe in Mikheil Saakashvili. I have real hope that he and the Georgian people together can get Georgia back on its feet," he said. "I think Georgia needs five to six years...and these people without jobs will not be here under the bridge. Saakashvili promised us."

## **WILL RUSSIA HELP DEFUSE KAZAKH-UZBEK TENSION?**

*Marat Yermukanov*

Security and political stability in Central Asia to a considerable degree hinge on the nature of Kazakh - Uzbek relations. Frequent border incidents, constant reciprocal accusations between the two neighbors lead analysts to pessimistic conclusions. Will Russia, as the Uzbek president hopes, play a stabilizing role in the region?

Over the last decade, Astana came up with a number of confidence-building initiatives

aimed at developing a constructive dialogue between India and Pakistan, speaking out for peaceful settlement of Arab-Israeli conflict, and even hosting a Congress of World Religions. Kazakh diplomacy was quite successful in gaining a positive assessment of country's foreign policy on the international scene from the European Union and the OSCE. Behind these tempestuous activities, Kazakhstan's own strained relations with its next-door neighbors, particularly with Uzbekistan, can hardly serve



as a model of good-neighborly, not to speak of brotherly, relations. On his June visit to Astana the Uzbek president Islam Karimov recognized Kazakhstan, for the first time perhaps, as an uncontested economic leader in Central Asia. But he remained eloquently reserved about the political leadership of the neighboring country. The deployment of the American air bases in Uzbekistan apparently whipped up Islam Karimov's ambitions to gain more political and military independence from Russia. The cooling of relations between Moscow and Tashkent had negative reverberations on the Kazakh-Uzbek dialogue, to the extent that shooting incidents along the border has become an almost daily occurrence.

But at a press-conference in Dushanbe held after the recent summit of the Central Asian Cooperation Organization (CAC), Islam Karimov made an unexpected twist signaling a softening of his attitude towards Moscow, saying that "We regard Russia not simply as a donor on realizing economic projects, but also as a guarantor in solving those conflict situations which may arise between us. Russia always, at all times had been a power which settled many problems". This profuse eulogy for Moscow left Russian observers guessing at true intentions of the enigmatic Uzbek leader. Karimov, speaking of "conflict situations", made no direct reference to Kazakhstan. But given the strained relations with the northern neighbor in the face of increasing threat of incursions from alleged terrorist nests in South Kazakhstan, Tashkent appears to be willing to use Russia's influence in the region to normalize its ties to Astana.

In turn, Kazakhstan welcomed Russia's joining the Central Asian Cooperation Organization, attaching importance primarily to Russia's potential to stabilize the geopolitical situation in the region and to accelerate the process of integration in Central Asia following the pattern of the European Union or the Common Market of the Asia-Pacific region. According to

observers, the agreements on the implementation of a joint free trade zone and the approval of the concept of water, energy and transport consortium in Central Asia formulated in the Tajik capital means a significant progress in integration efforts.

Russia's decision to redeploy its 201st motorized rifle unit in Tajikistan and its reiterated call for joint protection of the CAC countries point to Moscow's intention to use the region as a buffer against potential Islamic extremist attacks, expanding at the same time Russia's military presence in Central Asia. It would be in Russia's best interest to forge closer Kazakh-Uzbek relations against Islamic militants in the region. But it is hard to tell to what degree Russia's entry into the Central Asian Cooperation Organization will be conducive to the improvement of relations between Astana and Tashkent. Despite all reciprocal reassurances of friendship, Kazakhstan and Russia have enough problems to unravel. The border delimitation process, which is to be completed in the end of this year, in all probability will drag on painfully long, although officially the 7,400 kilometers long border stretch has been agreed on already. After his October 8 talks with the Russian prime minister Mikhail Fradkov in Astana, Kazakhstan's prime minister Danial Akhmetov told journalists that the remaining eight disputed border areas between Russia and Kazakhstan present a knotty problem. The biggest apple of contention seems to be sizable gas deposits found in one of the border areas. "We realize clearly enough how big these reserves are" Danial Akhmetov scantily commented to journalists.

Authorities usually do not disclose the details of border talks with Russia for fear of provoking public protests against territorial concessions to Russia. Not long ago, the opposition press revealed the handover of the

tiny Ogneupornoye village in Kostanay region to Russia. The government motivated the decision by the fact that the majority of the village residents had Russian citizenship. It is doubtful, given serious impediments in border talks, that the delimitation process will be over

soon. It is hard to convince anyone that Russia, which has so many territorial headaches with Kazakhstan, will genuinely act as reliable guardian of peace and integration in Central Asia.

## **THE SOCCER BOOM IN AZERBAIJAN**

*Gulnara Ismailova*

Sports are on the rise in Azerbaijan. The country is most likely leading among CIS countries in the construction of sports complexes with international standards. The purposeful state policy of developing sports resonates in society and despite unresolved social problems, sports have been financed by the state budget since 1994, presently at a level of ca. US\$1 million annually, with an emphasis on soccer. Azerbaijan's sometimes rocky relations with FIFA have now improved, and FIFA Joseph Blatter in Baku recently urged Azerbaijan to seek to host the World Cup for 17-year olds in Azerbaijan.

Soccer is the most popular sport in Azerbaijan. It has hundred-year history in the country, although interest dramatically declined with the crisis at the end of the 1980s.

A crisis erupted in Azerbaijani soccer in April 2002 when clubs in the top league halted the national league and demanded the resignation of the President of the Azerbaijan Federation of Football Associations (AFFA) Fuad Musayev. Aiming to assist in overcoming this crisis, a working group was created with the participation of representatives of FIFA, UEFA, AFFA, two soccer clubs and the ministry of sports. At a September 2002 session in Zurich, an agreement to resume the championship under the aegis of AFFA was achieved. The conditions of this agreement

were nevertheless not followed, and the conflict in Azerbaijani soccer raged on until April 2003, when FIFA decided to disqualify AFFA. This led to the isolation of Azerbaijani soccer, thwarting Azerbaijani participation in international soccer competitions.

AFFA's sixth selection conference in December 2003 selected Ramiz Mirzoyev, director of the "Azerneftiyagh" oil refining factory and head of the "Neftchi" soccer club as its chairman. This proved the end of Fuad Musayev's 11-year rule in Azerbaijani soccer.

In a short period of time, an inventory of all soccer facilities was undertaken. The number of stadiums, professional and amateur soccer players, clubs, coaches, referees etc. was established. Finally, a State program for the development of soccer until 2008 was adopted. Old stadiums were now rapidly refurbished and several new ones were constructed with technical and financial support of executive authorities, municipalities, state organizations, as well as private structures.

Special attention has been attached to the development of soccer in the regions. In large regional centers, conditions for the development of professional level soccer have been created. In Shamkir, Tovuz, Yevlakh, Imishli and Quba, stadiums meeting all international standards have been built. Plans are under way to renovate stadiums in Sumgait,

Ganja, Lenkoran and Mingechevir in the near future. Pitches with artificial covering are now widespread. AFFA is also striving for the realization of UEFA requirements to license soccer clubs. Each club of the top league is obliged to have its own base, a stadium meeting European standards, communication facilities, press services, an Internet-site and a bank account.

AFFA president Mirzoyev now works on improving the quality of soccer in the country. Plans were made to invite qualified trainers and players from abroad to Azerbaijan. Hence the captain of Brazil's 1970 national team Alberto Carlos Torres was invited to become the coach of Azerbaijan's national team. Under his management, the national team of Azerbaijan has played 10 games – 4 official selection games for the 2006 world championship and 6 friendly games. It has won two, drawn four and lost four. Alberto Carlos' contract expires in February 2005, however Mirzoyev has said it is likely to be extended.

The next significant event was the two-day visit to Baku of a FIFA delegation led by its

president Joseph Blatter, with former French soccer star Michel Platini, and other functionaries of the world soccer organization. The high-ranking visitors were received by President Ilham Aliyev, who awarded Mr. Blatter with an award of "Glory". In his turn, Blatter proposed to hold the championship for 17-year olds in Azerbaijan. This visit coincided with the successive arrival in Baku of the Northern Irish and English national teams, for selection games ahead of the 2006 world cup. Meanwhile, a monument to the glorified Azerbaijani referee Tofik Bahramov was inaugurated in the main soccer arena of Azerbaijan. Bahramov was a referee in the 1966 World Cup final between England and Germany.

Sports observers contend that the new leadership in AFFA's management have given a new impetus to the development of soccer in Azerbaijan. Everyone expects soccer to develop fast in the country. Whether Azerbaijan will make headway toward the 2006 World Cup in coming games, however, is too early to say.

## NEWS DIGEST

### **AZERI OPPOSITION LEADERS JAILED**

**22 October**

Seven leading opposition figures in Azerbaijan have been jailed for up to five years over involvement in riots following last year's elections. Opposition parties protested in the former Soviet republic over the conduct of the elections after Ilham Aliyev won the presidency in October 2003. Two defendants were given five years. The others received shorter jail terms. The Organisation for Security and Co-operation in Europe expressed concern over the severity of the sentences. But the organisation welcomed the end of the long-running trial as an opportunity for Azerbaijan to move towards developing political pluralism and democracy. The BBC's Claire Doyle says that with most of the major opposition figures now in prison, it is very difficult to see how such a dialogue might be established. The charges arose from violent clashes which broke out in the immediate aftermath of the elections. Mr Aliyev was declared the winner, replacing his late father as president in a ballot that was widely criticised by international observers. A court in the capital, Baku, sentenced two leaders of the Musavat party, newspaper editor Rauf Arifoglu and deputy chairman Arif Hacili, to five years each. (BBC)

### **UZBEK COURT JAILS 23 OVER ATTACKS**

**22 October**

A court in Uzbekistan has sentenced 23 people to from three to 18 years in jail for their role in a series of suicide bombings and shootings. At least 47 people, mostly police and militants, died in the attacks in Bukhara and the capital, Tashkent, earlier this year. More than 50 people have already been jailed in connection with the attacks. A human rights group protested the verdict, saying it had "serious concerns" over the trial's conduct. A court spokesman said the accused had been sentenced for "attempts to overthrow the country's constitutional order, taking part in extremist religious organisations and fomenting religious and ethnic hatred", the Reuters news agency reported. All of the defendants in the closed trial had pleaded not guilty. The government has blamed the series of attacks in March and April on members of a radical Islamic group, which the authorities said had links to al-Qaeda. In a letter to President Islam Karimov, the International League for Human Rights

said their investigations had shown that trials related to the attacks were "accompanied by harassment and torture of defendants while in custody". The US-based group called on the Uzbek government to carry out "prompt, impartial and full investigations" into the allegations. Britain's ambassador to Uzbekistan was suspended last week after criticising the British intelligence services for using intelligence allegedly obtained under torture by the Uzbek government. His claim was strongly denied by the Foreign Office. A UN report in 2002 said the use of torture in Uzbek prisons was "endemic". (BBC)

### **TURKMEN LEADER AMNESTIES 9,000, RAISES SALARIES, AND OPENS MOSQUE**

**23 October**

President Saparmurat Niyazov has signed a decree amnestying 9,000 prisoners, turkmenistan.ru reported on 24 October. The amnesty will take place on the Muslim holiday of Laylat al-Qadr, known in Turkmen as Gadyr Gijesi, which falls on 10 November. On 23 October, the president signed a decree raising salaries, pensions, and stipends 50 percent as of 1 January. Niyazov also opened "the largest mosque in Central Asia" on 22 October in his native village of Kipchak, Turkmen TV reported. Niyazov said that his parents' remains will be moved to the mosque. He took the opportunity to comment on the separation of church and state, saying, "We keep religion pure and we will not use it for political purposes, nor will we allow anyone else to use religion for their personal ambition." The mosque, which can accommodate 10,000 worshippers and features four 90-meter-high minarets, cost \$100 million to build. (RIA-Novosti)

### **ACCELERATED DEPOPULATION THREATENS RUSSIA'S EXISTENCE**

**25 October**

The State Statistics Committee (Goskomstat) announced on 21 October that in the first eight months of 2004, the population of Russia fell by 504,000 to 143.7 million. The decrease was mainly the result of the difference between the birthrate (1.013 million) and mortality rate (1.533 million). Although the natural loss of population decreased slightly in comparison with the same period last year, Russia continues to lose population at a rate comparable with civilian casualties

in the bloodiest months of World War II. If the trend continues, Russia's very existence will be put into question in a few decades. Meanwhile, commenting on Goskomstat's figures, Health and Social Development Minister Mikhail Zurabov said that Russia's current population is already "insufficient for a country with such territory and long borders." Khabarovsk Krai Governor Viktor Ishaev added that the most acute threat of depopulation is in Eastern Siberia and the Far East, where the Russian population doesn't exceed 8 million, while 50 times that number of Chinese live on the other side of the Amur River. "One should understand that nature does not tolerate a vacuum. If one side doesn't fill it, the other will." (TV-Tsentr)

### **KAZAKH OPPOSITION CHARGES HARASSMENT OF JAILED LEADER**

**25 October**

The opposition party Democratic Choice of Kazakhstan charged in a 21 October statement published by "Navigator" the next day that imprisoned party leader Ghalymzhan Zhaqiyarov is enduring rights violations while under house arrest in a "settlement colony." According to the statement, colony authorities have refused to let Zhaqiyarov work either for the regional branch of the Kazakhstan International Bureau for Human Rights or as a guard in a local school. Instead, "they have given him an ultimatum demanding that he either work in a boiler room or do loading work in the steppe," even though Zhaqiyarov is in poor health. The statement concluded, "The obstacles to Ghalymzhan Zhaqiyarov's employment and the attempts to force him to perform menial labor that will be detrimental to his health represent a continuation of the politically motivated repressive campaign against the leader of an opposition party." Zhaqiyarov is currently serving a seven-year sentence on corruption charges that his supporters believe were politically motivated. (RFE/RL)

### **TAJIKS TO NEED UZBEK VISAS FOR TRANSIT**

**26 October**

Tajik citizens returning to Tajikistan by train through Uzbekistan will now need Uzbek visas, Tajik Border Protection Committee official Khalil Boboev told Avesta on 26 October. Boboev said that Tajikistan has received official notice from Uzbek authorities that "only after receiving a visa for the Republic of Uzbekistan will it be possible to make travel arrangements [through Uzbekistan back to Tajikistan]." (Avesta)

### **ARMENIAN PRESIDENT ENDS VISIT TO GEORGIA**

**26 October**

On a three-day visit to Tbilisi from 22-24 October, President Robert Kocharian met with his Georgian counterpart Mikheil Saakashvili, Prime Minister Zurab Zhvania and parliamentary speaker Nino Burdjanadze to discuss transportation and various aspects of bilateral relations. Kocharian and Saakashvili also discussed coordinating their respective countries' efforts to expand cooperation with the EU within the framework of the European Neighborhood Policy, and the potential for cooperation between the three Baltic states and the three states of the South Caucasus. At a joint news conference on 22 October, Saakashvili expressed the hope that additional funding will be found for the planned new highway from Tbilisi to the predominantly Armenian-populated region of Djavakheti in southern Georgia. The World Bank has agreed to provide half the cost of that project. (RFE/RL)

### **PACE DELEGATION ASSESSES SITUATION IN GEORGIA**

**26 October**

A visiting delegation of the Parliamentary Assembly of the Council of Europe (PACE) has raised various human rights issues during a four-hour meeting with Georgian President Mikheil Saakashvili and Prime Minister Zurab Zhvania. Topics discussed included corruption and the repatriation to Georgia of the Meskhetians deported on Soviet leader Josef Stalin's orders in 1944. Georgia pledged on admission to the Council of Europe in 2000 to allow all Meskhetians who wish to do so to settle in Georgia by 2010. The PACE delegation also met with detained former Interior Minister Koba Narchemashvili and with former Control Chamber head Sulkhan Molashvili, whose condition gives grounds for concern, according to PACE delegation member Josette Durrieu. Meanwhile, the Council of Armenian Public Organizations of Djavakheti has alerted PACE to what it termed the "critical situation" in that predominantly Armenian-populated region of southern Georgia. The council claimed that Georgia has still not fulfilled its obligations to the Council of Europe with regard to the rights of national minorities. It also claimed that due to discriminatory laws, the majority Armenian population is not adequately represented on local councils. (Caucasus Press)

## **KAZAKH OPPOSITION WANTS REFERENDUM**

**27 October**

Representatives of Ak Zhol announced at a press conference in Almaty on 27 October that the moderate opposition party is sponsoring a nationwide referendum to annul the results of the 19 September parliamentary elections, "Kazakhstan Today" reported. A demonstration on 30 October will put forward the initiative to hold the referendum. The planned referendum will ask six questions: whether land sales should be halted until local administrative heads are elected, whether the direct election of administrative heads should be introduced in 2005, whether revenues from the sale of natural resources should be distributed directly and equally among all Kazakh citizens, whether half of parliament should be elected on the basis of party slates, whether 20 percent of voters should be able to initiate the recall of any elected official, and whether the results of the 19 September parliamentary elections should be invalidated. (Interfax-Kazakhstan)

## **TURKMENS HONOUR 'GREAT LEADER'**

**27 October**

Turkmenistan has been celebrating its independence holiday with a huge parade in honour of President Niyazov, also known as Turkmenbashi. Mr Niyazov, who is president for life, watched as the military, Turkmen horsemen and others paid tribute in the main square of the capital, Ashgabat. The assembled crowd shouted: "Great leader, great leader". There had clearly been months of preparation for Wednesday's parade. In bright sunshine, the Turkmen army marched through the marble square, shouting "Turkmenbashi, Turkmenbashi", saluting at the balcony where the leader was just visible. Rows and rows of identical black horses came next, their hooves painted gold, and their riders in gold sashes and traditional white lambskin hats. Behind them danced hundreds of school children around a huge model of Turkmenbashi's book of sayings, the Rukhnama. The book is required reading in schools and now stands alongside the Koran in mosques. The festivities are yet another expression symbolising the authority's regime, and the blurring between Turkmenistan the country and Turkmenbashi the man. (BBC)

## **UZBEK JOURNALIST GRANTED U.S. ASYLUM**

**27 October**

Ruslan Sharipov, an independent Uzbek journalist whose imprisonment in 2003 sparked international outrage, arrived in the United States last week, the

World Association of Newspapers (WAN) announced in a 25 October press release. "We are relieved that Mr. Sharipov is beyond the reach of the Uzbek authorities, and we hope that he can one day return to a free and democratic Uzbekistan," said Kajsa Tornroth, director of press freedom programs for WAN. Sharipov was sentenced to four years' imprisonment in 2003 for homosexual acts; many saw the move as retaliation for his coverage of human rights violations. According to the press release, Sharipov fled Uzbekistan "in the face of serious threats to his safety," leaving for Moscow in June and eventually arriving in California after being given asylum. Sharipov told the BBC's Uzbek Service that he now plans to write about what he witnessed in prison in Uzbekistan. (RFE/RL)

## **WORLD BANK ADDRESSES TAJIK POVERTY**

**28 October**

Michael Mills, a World Bank economist for Central Asia, presented an updated assessment of poverty in Tajikistan at a conference in Dushanbe on 28 October. Although poverty has fallen 17 percent since 1999, Tajikistan remains the poorest country in Central Asia, the report notes. In 2003, 64 percent of the population lived on no more than \$2.15 a day. Mills said that labor migration, which has seen up to 1 million Tajiks, or 17 percent of the population, leave to seek higher wages in Russia, has somewhat alleviated poverty. But widespread corruption is a serious obstacle to reducing poverty, the report says. Fayzullo Kholboboev, an economic adviser to Tajik President Imomali Rakhmonov, told the conference that the World Bank provides Tajikistan with \$30 million-\$40 million annually in infrastructure development funds. (ITAR-TASS)

## **TAJIKISTAN GEARS UP TO ISSUE MORE PASSPORTS**

**27 October**

A source in Tajikistan's Interior Ministry told Asia Plus-Blitz on 27 October that Tajik citizens who reside in Kazakhstan, Kyrgyzstan, Russia, and Uzbekistan will soon be able to obtain foreign passports there. More than 20 centers have been set up to issue passports in Tajikistan itself. The Interior Ministry has already used 42,600 of the 63,000 passport blanks it had on hand to issue passports; an additional 200,000 blanks have been ordered from Kazakhstan. Beginning on 1 January 2005, Tajik citizens will be required to have a valid foreign passport to travel within the Eurasian Economic Community (Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan). (Asia Plus-Blitz)

## **GEORGIAN PREMIER REPORTS ON PROGRESS IN AMNESTY PROGRAM**

**27 October**

Georgian Prime Minister Zurab Zhvania announced on 27 October that the government has secured the return of over \$500 million in property and assets from former state officials. Prime Minister Zhvania explained that the return of the "illegally acquired property" consists of buildings, private homes, and enterprises acquired by several former state officials "who have made a fortune through drug business, arms trafficking," and other incidents of corruption. The return of the property and assets stems from the Georgian government's amnesty program, which has led to negotiated settlements with former ministers and officials of the government of former President Eduard Shevardnadze. Zhvania added that the \$500 million amount is only for the first nine months of the year and he expects more property to be returned to the state. The most prominent cases include a payment of more than \$3 million by former Georgian Railways Director Akaki Chkhaidze, who was released in March after his arrest in January for "large-scale tax evasion." The immediate family of former President Shevardnadze has also been central to the amnesty plan, with Shevardnadze's son-in-law Gia Djokhtaberidze paying over \$15 million for his release. (ITAR-TASS)

## **ARMENIAN OPPOSITION COMMEMORATES PARLIAMENT SHOOTINGS**

**27 October**

The opposition Artarutian bloc convened a meeting on 26 October outside the parliament building in Yerevan to mark the fifth anniversary of the massacre in which eight senior officials were gunned down, RFE/RL's Armenian Service reported. In a statement read out to the estimated several thousand participants, leaders of the parties aligned in Artarutian alleged that President Robert Kocharian and Defense Minister Serzh Sarkisian "are directly responsible not only for not preventing the 27 October crime but also for obstructing the search for its masterminds and covering up the crime." Kocharian, Sarkisian, and other senior officials have repeatedly denied any involvement in the killings. Five men were sentenced late last year to life imprisonment for the massacre. The eight men killed included then Prime Minister Vazgen Sargsian, whose brother Aram now heads the Hanrapetutian party, and parliament speaker Karen Demirchian, the father of People's Party of Armenia Chairman Stepan Demirchian. (RFE/RL)

## **TATAR PRESIDENT QUESTIONS PART OF PUTIN'S PROPOSED POLITICAL REFORM**

**27 October**

Mintimer Shaimiev on 25 October criticized one aspect of President Putin's proposed political reform to replace the direct election of governors with a system under which local legislatures confirm candidates nominated by the president. Under the proposal, the president would have the option of disbanding a local legislature that twice declined to approve his candidate. Shaimiev argued that "parliaments are elected by the people." "It does not matter how deputies are elected – by party lists or some other way," Shaimiev said. "They are elected by the people and we should not accept any possibility of disbanding our parliament under any circumstances." He added that local legislatures should have the right to express their views on the candidates for governor. The same day, the Tatar State Council described Putin's proposed reform as "a coup d'etat," "Kommersant-Daily" reported on 26 October. Shaimiev, however, expressed support for the idea of appointed governors, saying that "70 percent of the people who have come to power in the regions have demonstrated their bankruptcy and over half of them came to power by unknown means." (RFE/RL)

## **UPPER CHAMBER APPROVES KYOTO ACCORD**

**27 October**

The Federation Council on 27 October approved the Kyoto Protocol, an international agreement that seeks to restrict emissions of the gases widely believed to contribute to global warming, Russian and international media reported. The vote was 139 in favor, one opposed, and one abstention. The Duma voted to ratify the protocol on 22 October. "Ratification first of all confirms to the world Russia's responsibility and predictability in resolving political problems in the global arena and gives Russia the chance to influence the development of new approaches to international economic relations," said Federation Council International Relations Committee Chairman Mikhail Margelov. (newsru.com)

## **UZBEK COURT LEAVES INTERNEWS SUSPENSION UNCHANGED**

**29 October**

A court in Tashkent ruled on 26 October to leave in force an earlier court decision shutting down the Internews Tashkent NGO for six months, RFE/RL's

Uzbek Service reported. The initial decision in early September had suspended Internews Tashkent, which supports independent media, for charter violations that Internews lawyer Bakhtiyor Shohnazarov described as insignificant and easily remedied. USAID representative Richard Stoddard lamented the court ruling, saying, "As the grant giver for Internews Tashkent's main projects, I am deeply saddened and disappointed by this decision." Internews Tashkent will not be able to resume operation until 26 March 2005. (RFE/RL)

### **TURKMENISTAN CELEBRATES INDEPENDENCE AS UZBEK TIES WARM**

**29 October**

Local coverage of Turkmenistan's Independence Day festivities, which featured a military parade in Ashgabat on 27 October, pointed to improving relations between Turkmenistan and Uzbekistan. A report on Uzbek TV about the celebration across the border stressed that "good-neighborly relations between Uzbekistan and Turkmenistan have advanced recently." Islom Bobojonov, the governor of Uzbekistan's Khorezm Province, met with ethnic Turkmens to mark the Turkmen holiday, the Uzbek newspaper "Pravda Vostoka" reported. For his part, Turkmen President Saparmurat Niyazov announced on state television that Turkmenistan and Uzbekistan will soon sign an agreement ensuring "eternal peace" along the border, RFE/RL's Uzbek Service reported. After several years of chilly relations, the two countries' presidents are set to meet in Bukhara, Uzbekistan, on 19 November to settle a number of long-standing bilateral disputes. (RFE/RL)

### **ARMITAGE THANKS KAZAKHSTAN FOR HELP IN AFGHANISTAN, IRAQ**

**29 October**

U.S. Deputy Secretary of State Richard Armitage told journalists in Kazakhstan October 29 that the primary purpose of his visit was to thank the government and people of Kazakhstan for their support in Afghanistan and Iraq. U.S.-Kazakh relations, the U.S. presidential election, the regional situation, and the development of democracy, sovereignty and a market economy in Kazakhstan were also major topics of discussion, said Armitage after his meeting with President Nursultan Nazarbayev in Astana. When asked what effect the outcome of the U.S. presidential election might have on U.S.-Kazakh relations, Armitage replied that the U.S. interest "in a free, open, sovereign, democratic, strong Kazakhstan would remain the same, no matter

who wins the U.S. presidential election." (usinfo.state.gov)

### **ABKHAZIA TO HOLD REPEAT PRESIDENTIAL ELECTIONS**

**29 October**

Vladislav Ardzinba, president of the self-proclaimed Republic of Abkhazia, on Friday asked the republic's Central Elections Commission to schedule repeat presidential elections in the breakaway republic. In his decree, Ardzinba said the decisions made by the commission on the recent elections were made under pressure and contain contradictory information. Therefore, they cannot be used for determining the results of the elections. "The Supreme Court of Abkhazia did not make decisions on the complaints submitted to it within the period of time set by law," said the decree. (Interfax)

### **TEHERAN DOESN'T WANT OUTSIDE COUNTRIES IN CASPIAN AFFAIRS**

**29 October**

Teheran does not want countries that are not part of the region to be involved in Caspian affairs, the Iran Embassy said in a press release on Friday. This subject was discussed yesterday during a meeting between Iran's Presidential Special Envoy on the Caspian Mekhdi Safari and Russian Foreign Ministry Special Envoy and Ambassador at Large Igor Savolsky. "Russia and Iran's rejection of the presence of countries not part of the region in the Caspian Sea was stressed," said the release. The nations bordering the Caspian include Iran, Russia, Turkmenistan, Kazakhstan, and Azerbaijan. (Interfax)

### **ABKHAZIA SAYS GEORGIA POISED FOR ARMED INVASION**

**30 October**

The defense minister of the Georgian breakaway region of Abkhazia, Vyacheslav Eshba, on Saturday cited "accurate information" that "Georgian armed forces are being concentrated" near the Abkhaz border and said they were getting ready to invade Abkhazia. Eshba told Interfax he had alerted the Abkhaz armed forces. (Interfax)

### **ONE KILLED, 19 INJURED IN TWO TERRORIST ATTACKS IN GROZNY**

**31 October**

One man was killed and 19 others were injured in two terrorist attacks carried out in Grozny on Sunday, the Chechen Emergency Medicine Center told Interfax. A Chechen Interior Ministry source told Interfax that



one man was killed and three others were wounded when a car was blasted on Staropromyslovskoye highway at 7:30 a.m. on Sunday. When the victims were brought to Hospital No.9 and were being taken out of an ambulance, another car, parked about three meters from the entrance to the hospital, blew up, injuring another 16 people. (Interfax)

### **CIVIL UNREST ERUPTS IN UZBEK CITY**

**1 November**

There are reports of unprecedented civil disorder in Uzbekistan, where several thousand people have taken to the streets in the city of Kokand. Eyewitnesses said that protesters threw stones and torched police cars after the government brought in new restrictions on trade. Thousands filled the main bazaar, shouting angrily against the new laws. The Uzbek government rules with an iron grip, but ordinary Uzbeks are increasingly challenging its authority. Protesters set two police cars on fire and stoned the tax office nearby, smashing the windows. One eyewitness reported that the city's mayor climbed on a market stall to address the crowd but he was drowned out by furious protesters. A column of marchers then set off towards the government office in the city centre. Local police confirmed that a large protest was going on. They said their officers were standing by to contain the situation and had not been armed. The demonstration was sparked by a law that puts new restrictions on trade, already very difficult in Uzbekistan. From now on it will be illegal for traders to use intermediaries. If traders buy goods abroad, they must sell them personally without going through any other retailer. Each trader must also have a special government licence. The authorities say these measures will keep prices down, but people here say tens of thousands of businesses will collapse. It is very hard to judge the numbers involved in the Kokand protest. Early reports spoke of as many as 20,000, but the hard core seems more likely to be 2-3,000. Even a conservative figure means this protest is far bigger than any seen in Uzbekistan in recent years. (BBC)

### **RUSSIAN BASES IN GEORGIA HAMPER IMPROVEMENT OF RELATIONSHIP – BURJANADZE**

**2 November**

The presence of Russian military bases in Georgia does not facilitate the improvement of relations between Moscow and Tbilisi, Georgian parliamentary speaker Nino Burjanadze said at a press conference in Moscow on Tuesday. "Russia and Georgia have very good prospects for cooperation without the military

bases," the speaker said. Burjanadze pointed out that Russia pledged to withdraw the bases in line with the 1999 Istanbul agreements. "We view Russia's statements that the withdrawal of two or three bases would take 14 years and cost over \$500 million as pressure," she said. (Interfax)

### **KAZAKHSTAN PIPELINE BLASTED, KILLING PEOPLE**

**2 November**

A ruptured gas pipeline exploded and caught fire in western Kazakhstan, killing three workers and injuring three others. The cause of the rupture is being established. The incident on the Central Asia-Center pipeline occurred Monday morning, interrupting gas supplies from Uzbekistan and Turkmenistan to Russia, according to the Emergencies Agency. Three workers of the Kazstroyservis company who were repairing a parallel gas pipeline at the time of the accident died from severe burns as a result of the explosion and three others were hospitalized with burns, the agency said. The fire was distinguished on Monday evening and repair work is under way. (neftegaz.ru)

### **OPPOSITION PARTY GIVES UP SEAT IN PARLIAMENT**

**2 November**

Alikhan Baimenov, co-chairman of the opposition party Ak Zhol, announced on 2 November that his party is giving up its single party-slate seat in the Mazhilis (lower chamber of parliament) to protest violations in the course of 19 September elections. "Our party has never entertained any illusions about the desire and ability of the current authorities to hold these elections on the basis of fair and honest competition. But the extent of violations and falsifications exceeded our most negative expectations," an Ak Zhol press release said. Ten of the 77 seats in the Mazhilis were apportioned on the basis of party slates, with Ak Zhol receiving one. Overall, pro-presidential parties garnered an overwhelming majority of seats in parliament. (Kazakhstan Today)

### **TAJK OFFICIAL SAYS UZBEKISTAN WAGING RAILWAY WAR**

**2 November**

Aleksandr Andrianov, deputy director of Tajikistan's passenger railway company, told Asia Plus-Blitz on 2 November that Uzbek rail authorities are waging an "undeclared war" against their Tajik counterparts.

Andrianov said that the recently introduced requirement of an Uzbek transit visa for Tajik citizens en route through Uzbekistan by train began with a 21 October telegram from Uzbek railroad authorities. He said that the telegram and the requirement violate an existing agreement between the two countries that allows rail travel without a visa. Amonhoja Hojibekov, also a deputy director in Tajikistan's passenger rail company, added: "We sent a letter to the Tajik Foreign Ministry asking them to explain to the Uzbek side...the absurdity of such telegrams and decisions in violation of the abovementioned agreement, but 10 days have gone by and our Foreign Ministry has done nothing." (Asia Plus-Blitz)

### **CHECHENS' RIGHTS VIOLATED IN REGIONS - CHECHEN OFFICIAL**

**3 November**

A Chechen official has expressed concern about violations of the rights of Chechens residing in different regions of Russia. "Unfortunately, we must admit that the rights of law abiding Chechens who have not committed any offenses are violated everywhere. Even Chechen officials sometimes feel very uncomfortable outside Chechnya," Chechen Deputy Prime Minister and Finance Minister Eli Isayev said on local television. (Interfax)

### **OPPOSITION'S REFUSAL TO WORK IN KAZAKH PARLIAMENT A MISTAKE - PRESIDENTIAL AIDE**

**3 November**

The Kazakh president's political advisor Yermukhamet Yertysbayev said the opposition party Ak Zhol's rejection of a mandate in the new parliament is a mistake. "I think it's a bad mistake.

Refusing to work in the parliament is not just wrong, it's stupid," Yertysbayev said. "In Soviet times, they must have read Lenin's works very superficially. Lenin wrote that a party must make use of all available methods of work with the masses to popularize their ideology and program," Yertysbayev said in an interview in the Kazakh parliament. (Interfax-Kazakhstan)

### **KAZAKHSTAN'S NEWLY ELECTED LEGISLATURE ON WEDNESDAY CHOSE A DEPUTY FROM THE RULING OTAN PARTY TO BE PARLIAMENT SPEAKER**

**3 November**

Ural Mukhamedzhanov got the backing of 65 of the 74 deputies in a secret ballot during the new parliament's first session. Three deputies voted against and the other six ballots were deemed invalid.

Mukhamedzhanov, 56, a former Communist party bureaucrat, has held various positions in the government apparatus and president's administration since 1995. Another Otan deputy, Sergei Dyachenko, was elected Wednesday as deputy parliament speaker. Otan, which is led by President Nursultan Nazarbayev, and other government-aligned parties won an overwhelming majority of seats in the former Soviet republic's parliament in Sept. 19 elections. The vote was criticized by international observers as falling short of democratic standards. The three opposition parties said the vote results had been falsified. The former parliament speaker, senior Otan official Zharmakhan Tuyakbai, quit the post and the party to protest the conduct of the elections, which he said were flawed. Nazarbayev, a former Communist boss, has drawn criticism in recent years for attempts to tighten controls. (AP)

