

Central Asia-Caucasus Analyst

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*Central Asia- Caucasus Institute
Silk Road Studies Program*

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THE CENTRAL ASIA-CAUCASUS ANALYST

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

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Analytical Articles: 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 1,000 and 1,300 words. The articles are structured as follows:

KEY ISSUE: A short 100-word statement of your conclusions about the issue or news event on which the article focuses.

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

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

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

Field Reports: Field Reports focus on a particular news event and what local people think about the event, or about the work of an NGdO. Field Reports address the implications the event or activity analyzed has for peoples' lives and their communities. Field Reports do not have the rigid structure of Analytical Articles, and are shorter in length, averaging ca. 700-800 words.

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

Svante E. Cornell

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CAN THE EU RESOLVE THE UZBEKISTAN DILEMMA IN 2007

Richard Weitz

The European Union (EU) has long made promoting political reform in Central Asia a priority. The EU's failed campaign, which began in May 2005, to induce political changes in Uzbekistan has led many EU members to press for substantial revisions in the organization's approach towards Central Asia. Other EU governments, however, have insisted on continuing the present course. In the end, the EU failed to resolve the issue – keeping sanctions on the books but reducing their scope. The EU will need to resolve this issue next year, as well as overcome several other problems, before it can become a major force for political reform in Central Asia. This will be a key test for the German presidency's ambition to develop a Central Asia policy.

BACKGROUND: Several factors have led Central Asia to assume a prominent place on the agenda at recent EU meetings. First, continued friction with Russia over energy issues has increased European interest in importing oil and natural gas from Central Asian countries as well as in promoting these states' independence from Moscow. Second, some EU members, such as Germany, have substantial commercial interests in Central Asian countries that extend beyond their energy trade. Third, the deteriorating security situation in Afghanistan, which has seen a resurgence of both the Taliban insurgency and drug cultivation, has stimulated EU efforts to bolster neighboring states against terrorism and narcotics trafficking. Finally, the general importance that EU governments assign to promoting political and economic reform abroad has led these states, starting particularly with the EU strategy document for 2002-2006, to press for desired changes in Central Asia.

For over a year, EU representatives have unsuccessfully tried to convince Uzbek President Islam Karimov to allow an independent international investigation of the country's May 2005 military crackdown on anti-government demonstrators in Andijan. In November 2005, the EU governments embargoed the sale of military equipment that the

Uzbek government could use against its domestic opponents. They also froze the aid programs and expert meetings stipulated in their joint 1999 Partnership and Cooperation Agreement (PCA) with Uzbekistan. This decision marked the first time in EU history that the organization has suspended a PCA with another country. In addition, the 25 EU countries agreed to stop issuing entry visas to Uzbekistan's top dozen senior leaders (including the defense and interior ministers), whom the EU held responsible for the Andijan crackdown. The EU governments decided to review the sanctions after one year to gauge whether Uzbekistan had improved its human rights practices.

The Uzbek government responded by ordering all EU members except Germany to stop using its airspace and territory in support of their military operations in Afghanistan. Since then, Uzbek authorities have continued to restrict the activities of local human rights activists and have closed about a dozen Western non-governmental organizations (NGOs) operating in Uzbekistan. The EU arms embargo has also proven ineffective since Russia, China, and other military suppliers have declined to follow the EU's lead.

On November 13, 2006, the EU foreign ministers met in Brussels to decide whether to renew the sanctions. German representatives, whose country retains strong

commercial and security interests in Central Asia, led moves to eliminate all sanctions besides the arms embargo. With some French, Polish, and Spanish support, the German government argued that the penalties had proven ineffective and that resuming a sustained human rights dialogue with Uzbekistan would more successfully achieve EU objectives in the region. To bolster his position, German Foreign Minister Frank-Walter Steinmeier unsuccessfully sought major concessions from Karimov during a week-long visit to Central Asia prior to the foreign minister's meeting.

In contrast, human rights advocates argued that the sanctions should not be dropped until the Uzbek government met the original criteria the EU established for repealing the sanctions. The governments of the United Kingdom, the Netherlands, and the Scandinavian countries (as well as the United States) also opposed relaxing the sanctions. In a compromise, the EU foreign ministers agreed to resume a low-level human rights dialogue with Uzbek authorities while extending the arms embargo an additional 12 months and the visa restrictions another six months, pending further reviews every three months.

IMPLICATIONS: Two main factors have impeded the EU's ability to achieve its objectives in Central Asia. First, the EU governments have refused to allocate substantial financial resources for promoting their political reform objectives in Central Asia. Second, the EU has given priority to its relations with other regions – especially the Caucasus and Russia.

The EU has taken some steps to enhance its presence and effectiveness in Central Asia. For example, in July 2005, the EU created the position of Special Representative for Central Asia to promote its policies in the region. In October 2006, French diplomat Pierre Morel assumed the position, held until then by now Slovak Foreign Minister Jan Kubics. The EU also operates Commission Delegations in several Central Asian capitals as well as in nearby Kabul. The near doubling in recent years of the number of EU member countries has substantially increased the number of EU-affiliated embassies and diplomats in the region. To exploit synergies, the EU coordinates its policies

towards Central Asia with other international institutions (especially the Organization for Security and Co-operation in Europe) and the United States.

Nevertheless, limited resources continue to constrain the EU's influence in Central Asia. For 2006, the European Commission allocated only 66 million euros to help all five Central Asian governments reduce poverty, expand regional cooperation, and support ongoing administrative, institutional, and legal reforms. The scale of the EU's activities in Central Asia remains limited compared with those in the neighboring South Caucasus region. The EU has assigned a Special Representative for the South Caucasus, initiated a European Security and Defense Policy rule of law mission in Georgia, and activated the European Commission's Rapid Reaction Mechanism to help secure democratic gains and avert conflict in that country following its Rose Revolution. After a year of hesitation, the EU governments decided in June 2004 to let Armenia, Azerbaijan, and Georgia participate in the organization's European Neighborhood Policy (ENP), while continuing to exclude the countries of Central Asia.

Besides Armenia, Azerbaijan, and Georgia, the ENP encompasses the non-member countries of Eastern Europe and even North Africa, but not those of Central Asia. In return for progress in political and economic reform, typically described in individual country ENP Action Plans, the initiative grants participating countries special privileges such as full access to the EU's internal market and "four freedoms" (the relaxed movement of capital, goods, people, and services). EU officials consider Central Asian states too distant and too unreformed for inclusion in the initiative. This approach has weakened perhaps the EU's most important source of potential influence in Central Asia – the prospects of greater access to the prosperous economies of the member states.

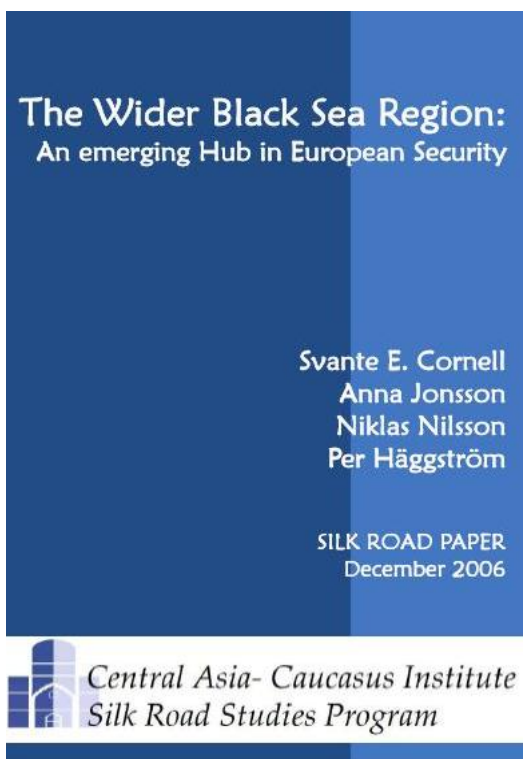
At the same time, although EU leaders have indicated a general desire to limit Russian influence in Central Asia, in practice they have not strongly challenged Moscow's preeminent position there. In their negotiations over such matters as the envisaged Common Space of Cooperation in the Field of External Security, Russian representatives have rejected using

the term “common neighborhood” to characterize EU-Russian interaction in Eurasia. Instead, they have proposed that Russia and the EU pledge to support each other’s efforts at achieving “voluntary” integration within their respective regions. At their May 2005 summit, Russia and the EU agreed to a “Road Map for the Common Space on External Security” that envisaged enhancing cooperation primarily in their “shared neighborhood”—which they define as “the regions adjacent to the EU and Russian borders” (i.e., not Central Asia). Central Asian governments recognize that EU governments will probably continue to prioritize relations with Russia given the much lower level of economic and other ties between the countries of the EU and Central Asia.

CONCLUSIONS: EU governments and the European Commission will continue their efforts to develop a new strategy document for Central Asia to replace the expiring 2002-2006 paper. A major issue is

how to promote political reform in Uzbekistan and other Central Asian countries. Although the EU recently agreed to renew sanctions against Tashkent, the German government, which will assume the EU presidency in January, will likely raise again the need for more “balanced” policies that assign greater weight to the EU’s economic and strategic goals in the region to complement the currently prominent human rights objectives. German officials have also suggested that the EU should consider adopting a new ENP that would involve Central Asian countries more deeply in the EU’s energy, transportation, and other networks.

AUTHOR’S BIO: Dr. Richard Weitz is a Senior Fellow and Associate Director of the Center for Future Security Strategies at the Hudson Institute.



New Silk Road Paper!

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

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

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

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

AZERBAIJAN AND EUROPE: TOWARD CLOSER INTEGRATION?

Fariz Ismailzade

Azerbaijan's integration into Euro-Atlantic structures is going much slower than in Georgia's case, mainly due to fear of Russia and Iran. Yet the Azerbaijani government seems to have decided the opportunity has come to turn words into action and seriously knock at Europe's doors. The time is perfect, considering the tensions between Russia and Azerbaijan over gas prices. If Azerbaijan does not shift its foreign policy, EU will not help, as it's interest into Azerbaijan is determined exactly by the degree of the latter's interest in the EU. Seeking and obtaining EU and NATO membership is the only real chance for Azerbaijan to achieve political stability and economic prosperity and resolve the Nagorno-Karabakh conflict. The chance should not be missed.

BACKGROUND: In December, Azerbaijan's President Ilham Aliyev traveled to Brussels to meet with EU and NATO officials, and to sign the European Neighborhood Policy (ENP) agreement between the EU and Azerbaijan. This agreement has started a new chapter and is aimed at further deepening relations between Azerbaijan and the EU and the integration of the country into European structures. Similar agreements have been signed with Armenia and Georgia, and Azerbaijan's Individual Partnership Action Plan (IPAP) with NATO is already under implementation. President Aliyev also signed with EU officials an agreement about the export of Azerbaijani gas from the Shah-Deniz field to the European markets.

It seems that Azerbaijan is slowly but steadily moving towards closer relations with EU structures, and is fully intending to deepen its integration with the EU, even up to the level of seeking NATO and EU membership down the road.

Yet experts in Baku, familiar with both IPAP and ENP, believe that both documents contain only symbolical activities, that do not in real practice deepen the integration of Azerbaijan into European institutions. They explain this with the reluctance of the Azerbaijani government to conduct the kind of real political and economic reforms that are a requirement for any move toward the prospect of membership in Euro-Atlantic institutions. Thus

delays in Azerbaijani's integration with Europe is caused by a desire by strong forces among the authorities to perpetuate the domestic status quo.

Azerbaijani government representatives, meanwhile, take a rather careful approach to the issue of Euro-Atlantic integration, and claim that Azerbaijan is making real steps towards it but within the frames of the "balanced foreign policy" that Baku officially pursues. At the moment, Azerbaijan indeed enjoys warm relations both with the West and Russia and Iran, thus trying to satisfy the interests of all regional powers. Unlike neighboring Georgia, Azerbaijan does not make strong statements towards EU and NATO integration and tries not to anger the Kremlin.

Yet lately, Russian-Azerbaijani relations have entered a difficult period mainly due to competition on the gas markets and the eviction of Azerbaijani labor migrants from Russia. Gazprom and RAO-EES have increased export prices of Russian gas and electricity to Azerbaijan, and sharply reduced volumes to be shipped. Baku responded by threatening to stop the usage of the Russian pipeline for the export of Azerbaijani crude oil, to increase the price for the Gabala Radio Station, currently leased by the Russian Ministry of Defense, and to shut down Russian TV stations in the country.

IMPLICATIONS: The consequences of the fallout in Russian-Azerbaijani relations are likely to be a

strong shift in Azerbaijan's foreign policy, towards the EU. This is a unique opportunity, occurring at an opportune moment, and which will test the skills and determination of both Azerbaijani and European policy-makers.

As Azerbaijan starts extracting its own offshore natural gas fields in 2007, it will gradually grow much more independent from Russia than has ever been the case. By supplying gas to Georgia, Baku will also contribute to saving its neighbor and strategic partner from Russian pressures. Together, they can pave a new path of integration towards Euro-Atlantic structures.

Yet, in order for that to happen, Azerbaijani officials need to learn from their Georgian counterparts on tactics to build solid and deep relations with the EU and NATO, and alter their own course of action.

Slow, symbolic steps towards Europe do not produce real and effective results for Azerbaijan's integration into the EU. The myth that the EU needs Azerbaijan more than the other way around, which is present in Baku, is neither helpful nor correct. The EU, preoccupied with its internal problems and the digestion of already admitted members, is certainly not considering another round of enlargement. Neither does NATO. Azerbaijani officials and public are mistakenly thinking that the integration of Georgia into EU and NATO will inevitably draw both Azerbaijan and Armenia into the same path. Yet, the experience of Cyprus shows the opposite: while the Greek part of the island was admitted into EU, the Turkish part remained effectively outside the club.

In order to put Azerbaijan into the radar screen of EU and NATO officials, it is Baku that will have to take action and not the other way. This entails passing through the same path that Poland, Hungary and other East European countries took in 1990s –knocking at the EU's doors, raising interest in Azerbaijan, actively seeking partnership and cooperation, and more importantly, conducting genuine political and economic reforms at home. The most important areas of reforms include

reform of police force, economic monopolies, and not least the judicial system and the courts.

Words that are not followed with actions produce what one Brussels-based analyst termed the "Kuchma effect", referring to a situation where EU officials do not see real actions behind the words of a government, thereby raising doubts regarding their interest in integration into the EU.

In this context, another important strategic shift can be observed, which lies in the sphere of marketing. The semantics of the EU integration of the South Caucasus is gradually being changed from the "South Caucasus' integration into EU" to "the Black Sea region's integration into EU". To EU officials, the latter concept appears much warmer, closer and more important than the former, associated mainly with trouble in the form of conflict and corruption.

EU officials have repeatedly stated that their level of interest and cooperation with Azerbaijan is determined and developed by the policies of Azerbaijan itself. The more Azerbaijani authorities pursue European integration, the closer and more realistic it will be.



Ilham Aliyev

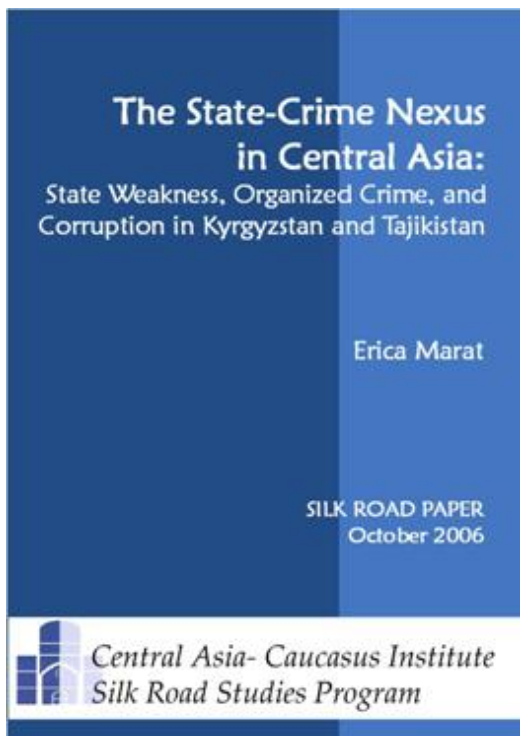
Without greater commitment to reform, Azerbaijan will in spite of its energy resources not be able to move closer to Europe. As such, it would continue to persist in a position of limbo between competing regional powers. Only European integration will in the long term guarantee political stability at home, and economic development and prosperity in the region. Moreover, it will drastically increase the chances for a peaceful resolution of the Nagorno-Karabakh conflict.

CONCLUSIONS: The time seems ripe for the Azerbaijani government to shift gears and take more active steps towards Euro-Atlantic integration. As the government appears increasingly inclined to do so, the opportunity is better than ever. President Aliyev and his party is unchallenged in the country, and this foreign policy move is unlikely to face domestic resistance. Internationally, Azerbaijan is becoming more secure, and its independence and sovereignty are consolidated, in

spite of renewed Russian pressures. Finally, the Georgian experience shows that in reality there is not much Russia can do to prevent the integration of the South Caucasus into the EU.

It is now up to Azerbaijan's leaders to close the gap with Georgia. Otherwise, Georgia is likely to move toward closer integration with the EU and NATO, while Azerbaijan and Armenia could continue to remain bogged down in domestic stagnation and ethnic-territorial conflict. In this context, the renewed strong interest in Azerbaijan in Tbilisi is a welcome development. President Saakashvili and his close advisors seem increasingly aware of the need to embrace Azerbaijan and support its efforts to develop ties with the West. In this context, the prospect of stronger Georgian-Azerbaijani cooperation vis-à-vis Europe could turn into a major development of 2007.

AUTHOR'S BIO: Fariz Ismailzade is a Baku-based freelance writer.



New Silk Road Paper!

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

by Erica Marat

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

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

BUILDING A BLACK SEA/CASPIAN NATURAL GAS BRIDGE: CHALLENGES AND OPPORTUNITIES

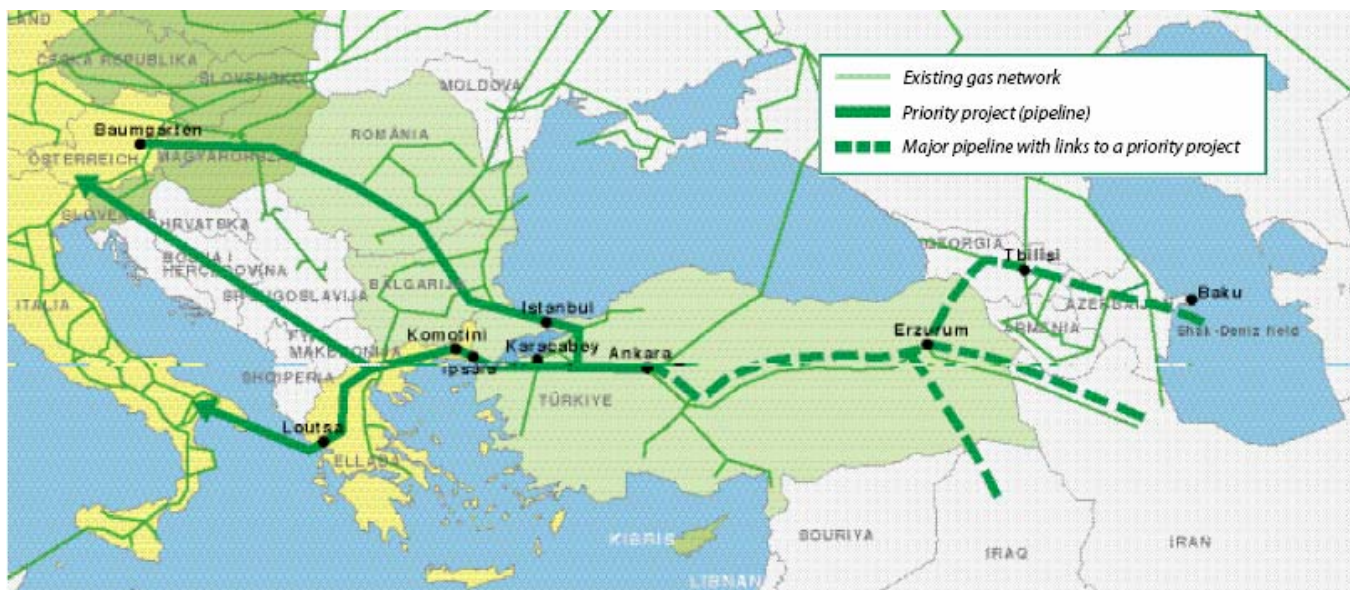
Mamuka Tsereteli

Developments in 2006 and notably the recent Russian-Belarusian crisis proved that energy is consolidating its position as Europe's long-term security challenge. Different countries are facing different types of challenges, however. With diversified supplies of natural gas and access to alternative energy resources, leading European states feel less vulnerable to potential Russian pressure. Unlike France, Germany or Italy, East European states have no alternative to Russian gas, while Gazprom's constant problems with transit countries and producers in Central Asia make them increasingly vulnerable. Eastern Europe hence needs alternative supply of natural gas. This demand could support long-term purchase contracts with Caspian suppliers via the Black Sea, making the development of new transportation infrastructure possible.

BACKGROUND: After gaining full control over Armenia's pipeline network and the Moldovan distribution network, as well as partial control over the Belarusian transit pipelines, Russia's State-controlled gas monopoly, Gazprom, is getting closer to its ultimate goal to control all pipelines connecting the former Soviet Union's states to other markets and potential suppliers. The same strategy is now being applied to Europe.

Russia is the primary source for imported natural

gas in most European states, and its role is set to increase in next decade, despite a potential shortage of the gas on the domestic market. In order to secure supplies, in recent months the leading European states and their government-supported energy companies – a frequently underestimated force in European energy politics – concluded bilateral deals with Russia's Gazprom on long-term energy supplies. The deal between the Russian and French gas monopolies, Gazprom and Gaz de France (GdF) on the supply of Russian gas is the latest in a row of



Existing and Potential Links from the Caspian to Europe

bilateral deals between Gazprom and major European consumer states. The deal establishes Gazprom's strong position in a major market and guarantees GdF sizeable supplies of gas for 24 years in return for giving the Russian company a slice of the French distribution market. Earlier, Gazprom concluded similar deals with German and Italian companies.

These bilateral agreements weakened potential for EU's common strategy towards Russian energy, and regarding energy security in general. On the contrary, it strengthened Gazprom's position tremendously. Gazprom has very clear strategy: to obtain strong dominance over natural gas supply and distribution networks in Europe. So far, implementation of this strategy is brilliant. By obtaining control over the transit infrastructure in transit countries, Russia limits access to markets for other potential suppliers, and by obtaining the distribution business, it limits the ability of importing countries to conclude long-term gas purchase agreements with other producers. Without those agreements, the development of new transportation infrastructure is commercially impossible.

IMPLICATIONS: There is enough gas in the neighborhood of Europe; but the problem is delivery infrastructure. The particular problem is delivery to Central and Eastern European states, where access to gas supplies from Northern Europe, Algeria or Central Asia is limited. The existing pipeline network connects those states only to Russian gas sources, and – only through Gazprom pipelines – to Central Asian gas. The potential to get access to Azerbaijani gas through Turkey via the so-called Nabucco pipeline, stretching from Turkey to Austria's Baumgarten terminal via Bulgaria, Romania and Hungary is still present, although Russia is trying hard to close the only remaining window for alternative gas by supplying additional volumes to Turkey via the Blue Stream pipeline. This would effectively flood the market, thus preventing the entry of Caspian gas into the link from Turkey to Austria.

Despite that effort, the recent history of disruptions in supply, and the rising price of Russian gas elsewhere in the region pushes Central and Eastern European states to seek alternative supplies based on commercially viable solutions. In this context, the development of transportation infrastructure connecting Central Asia to Central Europe is the key to resolving this problem. The aggregate demand of the Central and Eastern European countries for import exceeds 100 billion cubic meters, and may well grow in the future. A long-term purchase agreement with Caspian, in the first place Azerbaijani but in the longer term also Central Asian producers, could initiate the development of the basic infrastructure, which consequently could evolve into a strategic supply line for Eastern Europe.

The South Caucasus Pipeline connecting the Azerbaijani Shah-Deniz natural gas field to Turkey via Georgia, and then to South-East and Central Europe, is the key priority. Shah-Deniz will produce up to 30 bcm, a significant amount, but one that could be compounded by Kazakhstani or Turkmenistani resources to generate the volume needed to make large-scale pipeline construction commercially viable.

In this sense, the South Caucasus pipeline could be connected to the Georgian Black Sea coast, and then through an underwater pipeline to the western shores of the Black Sea, from where additional inter-connectors could transport gas to Central and Eastern Europe via existing pipeline networks. There are two options to end the pipeline: One in Ukraine, and another in Romania. Both options can co-exist and complement each other.

The destinations may look too distant and economically not viable. But the case of the North Stream pipeline may set a positive precedent. North Stream is a planned 1200-kilometre-long off-shore natural gas pipeline stretching through the Baltic Sea, from Vyborg, Russia to Greifswald, Germany. It will have two on-shore connections from Greifswald to the south and west of Germany with a total length of 850 km, and one 917-kilometre-long on-shore connection to bring gas from the

Russian system to Vyborg. The commercial viability of the North Stream is not in question for Western European companies, given the significant quantities involved.

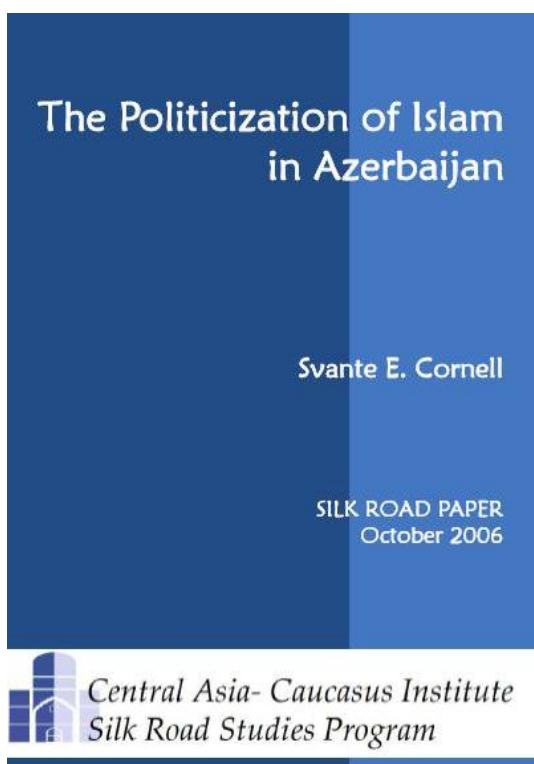
The undersea pipeline in the Black Sea would be shorter, and requires less additional infrastructure to be connected to markets. Over the years, Azerbaijan and Georgia proved to be a reliable supplier and transit country, respectively, while NATO and EU member Romania could use existing pipeline network to connect natural gas to consumer countries. Technical and environmental challenges also seem much less problematic.

A more remote option would be to develop liquefaction facilities on the Georgian Black Sea shore, and to ship LNG to Romania and Bulgaria, where it could be degasified and fed into the pipeline system. A fleet of LNG tankers may build a strong and reliable energy connection between the two shores of the Black Sea. Developing technology and the reduction of infrastructure cost may support this solution.

CONCLUSIONS: It would be natural for the EU to lead the process of developing the Caspian-

European Natural Gas Bridge. This is a unique chance to show leadership and prove that the EU is capable of securing alternative energy supply for Europe by working with producer, transit and consumer countries. The United States would also benefit from committing resources and assisting countries of Eastern Europe to sign long term supply contracts with Caspian producers, which will be the basis for the development of the gas fields and transport infrastructure. This will cement the relationship between the Black Sea/Caspian region and the EU and would help their Euro-Atlantic integration. In case the EU is passive and fails to organize itself to support a Caspian-Black Sea energy bridge, the U.S. may help interested Eastern European states to form a Consortium of Gas Importing States to lead the infrastructure development.

AUTHOR BIO: Mamuka Tsereteli is the Executive Director of the America-Georgia Business Council. He also teaches at George Washington and American Universities in Washington D.C.



New Silk Road Paper!

The Politicization of Islam in Azerbaijan

by Svante E. Cornell

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

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

CONSOLIDATION OF POLITICAL PARTIES IN KAZAKHSTAN STRENGTHENS PRESIDENT'S HAND

Ryan Kennedy

On December 22, the pro-presidential Civic Party and Agrarian Party voted to join President Nursultan Nazarbayev's Otan Party. Another pro-presidential party, Dariga Nazarbayeva's Asar Party, made a similar decision earlier in the year. These developments highlight several important dynamics in Kazakhstan's political system. First, it is a major shift in strategy for these parties and the interests they represent. Second, it is a significant change in Kazakhstan's political development from a managed opposition model, to a single-party system. Finally, it re-enforces Nazarbayev's dominance in Kazakhstan's politics, and may give a preview of how the succession issue will be managed.

BACKGROUND: One year after President Nursultan Nazarbayev established his dominance over the Kazakhstani political system by winning 91 percent of the presidential vote, his Otan (Fatherland) party, re-enforced its position in Kazakhstan's parliament, the Majilis. On December 22, the pro-presidential Civic Party, with its 160,000 registered members, and the Agrarian Party, with its 102,000 members, voted to join the President's Otan party. This past summer, the Asar Party, led by the President's daughter, Dariga Nazarbayeva, made a similar decision to incorporate into Otan.

Along with the expansion came a change in name from Otan to Nur-Otan, which loosely translates as "The Fatherland's Ray of Light." Bakhytzhan Zhumagulov, the acting deputy chairman of Otan, was quoted to say that the name also referred to Nazarbayev "as the leader of the whole nation," as he is sometimes called Nurege or Nur-Agha.

Prior to these decisions, the Agrarian and Industrial Union of Workers Bloc – made up of the Civic and Agrarian parties – and Asar were the second and third largest blocs in the Majilis, respectively. The Union of Workers Bloc held 11 seats and Asar held 4. With the merger, the President's party now controls 90 percent of the seats in parliament. The membership of the new "mega-party" dwarfs the anti-presidential opposition, of which no party has more than 100,000 official members. Within

parliament, the anti-presidential opposition party, Ak Zhol, received 12 percent of the list vote in the last parliamentary elections, but electoral rules limited it to only one seat, which remains empty in protest.

Just seven days after this announcement, the Kazakhstan Ministry of Justice accepted the application for registration of the center-right "Atameken" party. The registration was approved after the party presented 60,000 signatures collected in the two months after its founding congress. The party program states that the party has a goal of "preventing corruption in the Kazakhstani economy" and "is against state domination in business and the privatization by state officials." The program also says that the party "is against the commercialization of the state and its interference into the economy." However, at the same time, the founding party congress in October stated that the party was formed "in order to support the head of state [Nazarbayev]." The new party also signed a cooperation memorandum with Nur-Otan on January 19, which says that, while both sides will elaborate different programs and run candidates, they will support each other in parliamentary elections and during other electoral campaigns.

IMPLICATIONS: The decision of the largest political parties to permanently unify under the President's Otan banner illustrates several

important features of the current Kazakhstani political system. It represents a major change in strategy for the political parties involved. The Civic Party, for example, was founded by influential businessmen, including those in the Eurasia group, to protect their business interests through representation in the Majilis. Asar was set up by Dariga Nazarbayeva to promote her political ambitions and to establish an independent base for her political authority. The decision by these groups to incorporate into Otan suggests that they now see their previous strategies as either futile or counter-productive. It suggests that the best method for interest articulation in the current regime is through close cooperation with Nazarbayev, rather than through the process of establishing an independent power base and using that base as leverage on government decision-making.

The decision also marks a departure from the political model pursued by Kazakhstan. Minister of Foreign Affairs Kassymzhomart Tokaev has many times defended his country's political record by saying that Kazakhstan cannot be expected to enact "a 'gold standard' of democracy which only a few countries in the West have achieved in centuries." Rather, Kazakhstan's democratic development, he contends, is an evolutionary process. With the establishment of a single, dominant party in parliament, the terms of this evolutionary process have changed. Instead of encouraging the establishment of a nominal opposition, the leadership is now promoting a single-party model. Zhumugulov cited Japan, Switzerland and Singapore as examples of one-party states that were successful in promoting development. However, in none of these examples, with the possible exception of Singapore, was the party quite as weak when compared with its leader as it is in Kazakhstan.

With his re-election to another five-year term and his party's now dominant control over the Majilis, Nazarbayev is at the peak of his power. This development may shed some light on the academic debate over how succession will be approached in Kazakhstan. Most scholars have identified

Nazarbayev's sons-in-law, Timur Kulibaev and Rakhat Aliev, and his daughter, Dariga Nazarbayeva, as the major competitors for power. While all of them have strong economic and political bases, their competition, in itself, may make anointing any one of them as the heir apparent difficult. Nazarbayev's current power, and his incorporation of all the major political players under the umbrella of his party, increases his ability to appoint a successor from outside of the major economic interests – someone whose power derives from their position in the party and allegiance to Nazarbayev, rather than from their independent economic or political power. Thus, it would not be surprising to see new players emerge in the succession discussion, whose power derives from their loyalty, rather than their independent power base.

CONCLUSIONS: Nazarbayev's goal of establishing a national party of power, which he first attempted with SNEK in 1995, has now been achieved. This development, while not wholly unexpected, puts several important characteristics of Kazakhstani politics in stark relief. With Niyazov's death in Turkmenistan, and the ensuing succession battle beginning, now is the time to ask whether Kazakhstan's government, which has also been led by a single elder personality since independence, is in any better position to handle the loss of its leader. The difficulty in answering this question raises the possibility that Nazarbayev will use his powerful position to anoint a loyal successor. His actions in the coming year will either bring clarity to the succession debate, or will raise concerns about whether Kazakhstan will be able to deal effectively with his eventual exit from politics.

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FIELD REPORTS

AS NURSULTAN NAZARBAYEV AND HU JINTAO SHAKE HANDS, UNCERTAINTIES LINGER

Marat Yermukanov

On December 23, Kazakhstan's President Nursultan Nazarbayev wrapped up his first three-day visit to Beijing after his reelection last December. The event characterized as "a breakthrough" in bilateral relations by the main official paper *Kazakhstanskaya Pravda* was marked by a series of landmark agreements aimed to boost economic and trade ties and eliminate remaining stumbling blocks to regional partnership. The widespread feeling of euphoria around the Beijing trip of Nazarbayev is diluted by mounting Sinophobia in Kazakhstan.

The talks between Nursultan Nazarbayev and Chinese leader Hu Jintao and the joint statement of cooperation strategy for the twenty-first century showed all signs of a model partnership between Kazakhstan and China. Hu Jintao and Nazarbayev signed 10 agreements relating to scientific and cultural ties, transport communications, bilateral trade, energy resources, border control and customs regulations, trans-border rivers and labor migration. Before leaving Beijing, Nursultan Nazarbayev announced in a visibly optimistic mood to the press that China and Kazakhstan finally eliminated all their border problems and laid a solid foundation for mutual trust and friendship. He stressed that the most important outcome of his talks with Hu Jintao was the

conclusion of an agreement on joint monitoring of the environmental situation in the Irtysh River basin. Referring to earlier debated Chinese plans to divert the river water for agricultural use threatening to cause water shortage in the downstream areas of South Kazakhstan, Nazarbayev said Hu Jintao promised to refrain from any steps "that would damage Kazakhstan's economy".

At the same time, he said "it would be wrong to conclude that Kazakh-Chinese relations are developing exceptionally in the positive direction. We have some issues on which solution must be reached today. We must come to a compromise." Among other problems which were listed as hampering bilateral economic activity by Nazarbayev is the imbalanced trade with China. The Kazakh President also added that "lately numerous critical publications appeared in the [Kazakh] press relating to 'disproportions' in the Chinese participation in developing oil and gas resources of Kazakhstan". He clearly alluded to illegal Chinese workforce smuggled into Kazakhstan by Chinese oil and gas companies operating in the Aqtobe region of West Kazakhstan. In his words, the satisfactory solution for Kazakhstan would be to reduce the number of Chinese workers hired by Chinese-owned companies by

70 percent, and to replace them by local workers.

Broadly speaking, economic and demographic apprehensions expressed by Nursultan Nazarbayev in vague terms in Beijing are nothing more than a reflection of public anxiety in Kazakhstan repeatedly voiced since the establishment of diplomatic relations with China fifteen years ago. However, it was the first time the Kazakh leader publicly aired the popular feeling of anxiety over the future of bilateral relations on an official visit to China. Last November, Kazakhstani political scientists gathered in Almaty to discuss the threat of Chinese economic and demographic expansion. The debate came in the wake of the agreement concluded by Canada's Nation's Energy Company and the Chinese CITIC Investment Fund on the sale of the assets of the Chinese-owned Karazhambasmunay oilfield in Kazakhstan. The deal generated a wave of protests in the Kazakh parliament. But the director of the Risk Assessment Group research center, Dosym Satpayev, believes the real cause for the Kazakh government's constantly losing economic battle with China is rooted in endemic corruption in corridors of power. The analyst argued that some corruption-prone influential members of government have already formed pro-Chinese forces to lobby for Chinese companies and make the government conclude agreements with the Chinese to the detriment of Kazakhstan's economy. The economist Oraz Zhandosov proposes a new scheme according to which Kazakhstan should own 50 percent of the assets in the oil and gas sector leaving the remaining half of the assets to be divided among foreign companies.

Economic analysts point out that Kazakhstan is increasingly assuming the role of a cheap raw material supplier for China and a dumping place for low-priced Chinese goods, while Kazakhstan's textile industry has already lost the competition to the eastern neighbor in the domestic market.

Despite the growing resentment over Chinese expansion, Kazakhstan recognizes the vital importance of economic, political and military partnership with Beijing. As of December 1, 1,8 million tons of Kazakh oil was reported to have been pumped to China through the Atasu-Alashankou oil pipeline put into operation on December 15, 2005. By 2010, oil deliveries to China are expected to increase up to 20 million tons annually. Kazakhstan is considering the construction of the second phase of an oil pipeline to China, linking the Kumkol oil fields with Atasu, as well as a gas pipeline to the Xinjiang Autonomous Republic. Other projects include the railway link from Kazakhstan to China through the Khorgos border trade zone, in addition to the existing railway route between Chinese Alashankou and Druzhba on Kazakh territory. The trade volume by the end of 2006 reached \$8 billion.

Nursultan Nazarbayev made a conclusive gesture of support for Chinese territorial integrity, paying visit to Hong Kong and Macau and reaffirming Kazakhstan's adherence to the one-China principle on the Taiwan issue. Kazakhstan's unequivocal stance on Taiwan was duly appreciated by Chinese propaganda. But with a booming economy in Muslim-populated unruly Xinjiang, Kazakhstan is likely to face more than one political dilemma in the future.

RUSSIAN AMBASSADOR RETURNS TO GEORGIA, BUT SANCTIONS REMAIN

Kakha Jibladze

At the height of the spy scandal between Moscow and Tbilisi, when the Kremlin launched a triple attack including a transportation blockade, the end of postal transactions and the deportation of Georgian citizens, Russian Deputy Foreign Minister Gregory Karasin pleaded for a little “respect” from Georgia to mend all the wounds. Four months later it appears that all the Kremlin really wanted was four natural gas contracts.

During the worst diplomatic scandal to hit the two bickering neighbors since the end of the Soviet Union, Russian President Vladimir Putin recalled the ambassador to Georgia – all but closing the Russian embassy in Tbilisi and severing diplomatic ties. And on January 18, just as suddenly, he announced Ambassador Vyacheslav Kovalenko was heading back to Tbilisi.

The move comes less than a month after several companies operating in Georgia were forced to sign various contracts – some for a year, others for as short as three months – with Kremlin-owned gas giant Gazprom.

In his statements on January 18, Putin openly connected the two events. “Unfortunately, in recent years, Russia and Georgia have come across already well-known problems,” he said. “At the same time, last November we agreed with the President of Georgia that we shall take steps towards the normalization of bilateral relations. The first such important step was taken last December when we signed an agreement on supplies of Russian gas to Georgia in accordance with market principles.”

Tbilisi has repeatedly refused to consider the Russian price – \$235 per 1000 cubic meters – anything more than political blackmail but a series of events forced gas suppliers and factories to sign the contracts despite the promise of cheaper gas from the Shah Deniz pipeline and Azerbaijan.

While Georgian President Mikheil Saakashvili has been adamant about cutting the country’s dependency on Russian gas, Putin has been equally inflexible in his policy of equating gas sales with friendly relations. During the January 2007 spat with Belarus, Putin openly threatened to cut aid to the country formally considered Russia’s biggest ally if Minsk did not start playing by the rules.

Although there is no sign that Georgia is ready to back down in its search for new sources of natural gas, Tbilisi has welcomed the return of the Russian ambassador – and the underlying signal that Moscow is reconsidering its tactics against its southern neighbor. According to a report by the Russian newspaper *Kommersant*, Russian authorities rethought their Georgia strategy and decided that it has done them more damage in the eyes of the international community than it damaged the Georgian economy, which still reportedly managed to grow in 2006 at a healthy 7 percent, if not more.

“The Kremlin’s estimations that sanctions would lead to the fall of Saakashvili turned to be invalid... On the contrary, the anti-Georgian campaign has damaged [Russia’s] reputation both in Georgia and in the West,” the paper noted. “After analyzing all these factors, policy-makers in the Kremlin have apparently

concluded that only saying no to sanctions can improve the situation.”

According to Valeri Chechelashvili, a deputy minister in the Georgian Foreign Ministry, the masterminds behind the embargo and other sanctions were disappointed. "The impact on the Georgian economy was not nearly so drastic as those who designed this policy hoped it would be," Chechelashvili reportedly said, according to an article in the *Telegraph*. "The damage to the economy was only in the ballpark of about \$150 million, while GDP still grew at over seven per cent."

However, while the return of the ambassador is a positive sign that Moscow is backing down to European and American pressure, the Kremlin has been eager to stress that the sanctions are still on. While media sources in Georgia have speculated that the transportation blockade and other sanctions might be lifted next, there is no word from the Kremlin on any immediate plans to that effect.

In fact on January 10, one of the remaining members of the Russian diplomatic team in Georgia noted that while Russian visas would be issued again in Tbilisi, there was no indication from the Russian Foreign Ministry when that process would start. Likewise, while Russia is working with Moldova to reinstate Moldovan wine exports to the Russian market, no such overture has been made to Georgia.

Likewise, Georgian media reported on January 19 that air travel between the two countries would resume shortly. However, there has been no indication from Russia that such plans exist. The decision to reinstate the Russian ambassador in Georgia is vital to improving ties between the two countries. However the relations between Moscow and Tbilisi have reached such a low point that it will likely take more than this to motivate a real, constructive dialogue between them.

NEW KYRGYZ FOREIGN POLICY CONCEPT PASSED

Joldosh Osmonov

A new foreign policy concept for Kyrgyzstan was approved by the country's President. This new concept determines Kyrgyzstan's future foreign policy direction. Despite significant changes within the country during the last two years, Kyrgyzstan is set to continue conducting a multi-vectored foreign policy.

On January 10, 2007, Kyrgyz President Kurmanbek Bakiev approved Kyrgyzstan's new foreign policy concept. According to this new concept, Kyrgyzstan will conduct a multi-vectored, balanced and pragmatic foreign policy

based on its national interests. The new concept emphasizes four main priorities in Kyrgyzstan's new foreign policy: 1) strengthening national security by foreign policy means and methods, 2) formation of priorities in the country's development, 3) strengthening a positive image of Kyrgyzstan at the international arena, and 4) formation of an effective system in the country's foreign policy. Also, Kyrgyzstan's foreign policy will be focused on three cooperation circles. These include first the regional, which implies cooperation and strengthening of relations with neighboring

countries and regional organizations. Secondly, continental: deepening relations with powers such as Russia, the United States, the European Union, China, Japan, Turkey, India, Pakistan, South Asian and Arab countries. The third dimension is global, meaning active membership in the United Nations.

The reason for forming a new foreign policy concept is explained by the significant changes in the country in March 2005, which led to the necessity of developing a new foreign policy that would serve national interests. It is interesting to note that President Bakiev for a long time was criticized by the opposition for not having a concrete foreign policy, and many experts say that it also speeded up the development of this concept.

The key focus in Kyrgyzstan's new foreign policy is accorded to strengthening cooperation and integration with neighboring countries. This seems logical in view of the President's address to the nation in September 2006, where he stated that from now on, Kyrgyzstan will pay more attention to deepening relations with its neighbors: Kazakhstan, Uzbekistan, Tajikistan and China. "I always said that the main task of our foreign policy is establishing good relations with neighboring countries. As a result, we did so. My personal contacts gave us positive results. Relations with neighbors achieved a higher level," Bakiev stated during a speech at the ministry of Foreign Affairs on January 12, 2007. The President noted that these results were possible in view of his visits to China, Uzbekistan, and Kazakhstan. Numerous cooperation agreements in many aspects were signed during these visits, and today, he argued, the first real results are being practically realized. One of the main points in Kyrgyzstan's relations with neighboring states is border issues. The President expressed hope

that the new foreign policy concept will lead to the final delimitation and demarcation of the state's borders.

Despite such optimistic statements, political experts consider that Kyrgyzstan still has significant disagreements with its neighbors, including the above-mentioned border issues. It is notable that Kyrgyzstan is still in the process of negotiations on border delimitation with all neighboring countries except China. Experts bring up the regular incidents at the Kyrgyz-Uzbek and Kyrgyz-Tajik borders as examples of the persistence of significant problems between the states.

According to the concept, Russia is identified as a strategic partner. Cooperation with this country is one of the main conditions for the peaceful and sustainable development of Kyrgyzstan, according to the concept.

At the same time, despite some incidents that have shaken Kyrgyz-American relations in the past year, Kyrgyzstan intends to continue its active cooperation with the U.S. in the war against international terrorism and, moreover, to widen trade and economic, as well military-technical cooperation. However, many experts say that several incidents including the killing of a Kyrgyz citizen by an American serviceman, and the expulsion of two American diplomats from the country, had and will have a tangible negative impact on the development of the U.S.-Kyrgyz relationship.

The presence of two foreign air bases in the country was also mentioned in the foreign policy concept. It is stated that both air bases serve the national interests of the Kyrgyz people by ensuring security not only in Kyrgyzstan, but also in the region as a whole.

Significant attention will be paid to Kyrgyzstan's active membership in

international and regional organizations, and strengthening relations within these organizations. Among the organizations, of which Kyrgyzstan is a member, regional economic and military organizations such as the Collective Security Treaty Organization (CSTO), the Shanghai Cooperation Organization (SCO), the Commonwealth of Independent States (CIS), and the Eurasian Economic Community (EEC) are emphasized as strategically important for the country's security and economic prosperity. The formation of a common market of goods, services and labor in the region within the SCO and the EEC is one of Kyrgyzstan's long-term goals. One specific element to note is that Kyrgyzstan will head the SCO this year, and the next SCO Summit will be held in Bishkek.

In the context of approving this concept, President Bakiev briefly summed up the results

of Kyrgyzstan's foreign policy over the past year. He noted that 12 foreign visits were organized last year, including a state visit to China and official visits to Russia, Kazakhstan, Uzbekistan, Turkey and Belarus. 78 bilateral and 291 multilateral agreements were signed as a result of these visits. He listed the delivery of 1,205 tractors by China and the handover of a Tu-154 plane and four military helicopters by Russia as the main concrete results of these visits.

In general, experts say that there are no significant changes in the foreign policy compared to the previous foreign policy direction under President Akaev. Meanwhile, there is a general consensus that a multi-vector foreign policy best fits Kyrgyzstan's interests.

A HOUSING CRISIS IN TAJIKISTAN?

Bakhtiyor Naimov

Already in the fourth quarter of 2006, new, elite apartments in the center of Dushanbe have been made available for sale to the population. These elite apartments have been built in the framework of an inter-regional program called "Poitakht 80" by the city administration of Moscow. Prices for apartments in this new group of buildings exceed US\$ 1,200 per sq. meter, with the cheapest apartment to have two rooms and costing US\$ 98,600. Four-room apartments are worth as much as US\$ 400,000. Given that an average monthly salary in Tajikistan equals US\$ 110 and GDP per capita, according to the National Bank of Tajikistan, is

US\$ 330 per month, elite apartments seem alien to Tajikistan's realities.

The period during the civil war and immediately after the signing of the peace accord, when one could buy an apartment in the center of Dushanbe for as little as US\$ 1500, is long passed. With a booming population of over 7 million and a serious lack of employment opportunities in the periphery, Dushanbe is the most attractive place to live in Tajikistan today. Undoubtedly, demand for real estate is extremely high because, apart from this elite group of buildings, no major noteworthy construction has been completed. With a strong shortage of supply of space for the

population as well as a lack of business centers and attractive hotels, foreign and local companies tend to rent private apartments for offices.

The International Organization for Migration notes that, on average, purchasing an apartment is the third highest priority of those working in Russia, other CIS, or near abroad countries. There is also real fear that with extremely limited supply, property prices will keep going up and the value of money going down. Furthermore, a lack of locally produced construction material makes the cost of building new apartments more expensive as well.

To add to this, the administration of Dushanbe city is planning to start the implementation and realization of the GenPlan, which had been put forward in the 1980s with a view to creating additional housing opportunities in the capital for the growing population. As a result, Dushanbe should be divided into three circles: central, suburban, and periphery, where the central circle would include multiple story buildings for offices and business class apartments. It is this central territory that is soon to be freed for construction. Those having houses, gardens, land, or other type of property in the circle are to be compensated and given land in the periphery for building houses of two or more stories. Getting land in exchange for property in the central circle is not guaranteed, however, and is conditional upon legally occupying the given territories. One can only suppose that properties can be turned into legal and illegal by various means shortly. The start of this construction in the central circle is, in turn, dependant on investors, which implies that people are to be removed but the construction, like in the 1980s, is to be delayed indefinitely.

It is unclear whether the government understands that at the moment, Tajikistan needs economy class apartments in a price range of US\$15,000-US\$30,000. Currently, the demand for Soviet-time apartments that are priced in this value range is very high. Due to the large demand and shortage of supply, even prices for Soviet 'khrushchevkas' are accelerating impatiently, in anticipation of the government coming up with some kind of alternative ways to purchase property. The government's priorities are apparent: first of all, a review of property acts and the legal framework. Secondly, conditions and opportunities for mortgages are not sufficiently institutionalized in the legislation. Unless this happens, it would be impossible to guarantee liability and enforcement of terms and conditions in that regard. For example, the biggest commercial bank, OrienBank, which is present throughout Tajikistan and has the largest capital and assets, is willing to start mortgage programs if the parliament sets up a legal platform for this practice. However, even if Tajikistan goes as far as Kazakhstan, where newly built houses in Astana are offered mortgage packages with payments of 40 percent of the total property price, the term of 7 years is an extremely optimistic period for completing the payment for an average Tajikistani customer.

If the government of Tajikistan is unable to provide budget housing for its growing citizens in the capital, it has to make every effort to provide such basic needs as electricity, schooling, and transportation in the villages to stop the active relocation of people to the capital. Otherwise, it could end up wasting already extremely scarce land for the construction of elite houses like in Turkmenistan, while people moving to the capital end up living with their relatives.

NEWS DIGEST

