

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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Submission Guidelines:

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.

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WITH NO PIPELINES IN SIGHT, TANKERS SET TO ROAM THE CASPIAN

John C.K. Daly

The Caspian is the birthplace of tankers; in 1877 the first tanker Zoroaster, built at Sweden's Motala shipyard, began operating in Baku. Tankers now appear to be returning to the economics and politics of the Caspian. As international attention increasingly focuses on the vast energy reserves of the Caspian, a small but growing fleet of tankers is plying its waters in the absence of a definition division of its seabed, which precludes for the present the construction of proposed undersea pipelines.

BACKGROUND: While both Russia and Iran maintain tankers on the Caspian, their fleets are relatively insignificant, as they move the bulk of their energy exports via pipelines to the Black Sea and Persian Gulf, respectively, for tanker transport. Most notable is the steady rise of shipping in the newly rich petro-states Azerbaijan and Kazakhstan. Even Turkmenistan has begun to charter and build vessels for Caspian hydrocarbon transport. The tankers are not the massive AFRAMAX behemoths so decried by environmentalists - the largest ones currently plying its trade is are two Tanker project 19619 13,000-ton vessels *Koroglu* and *Dede Qorqud*, constructed for the Caspian Shipping Company of the Azerbaijani Republic, or CASPAR, at Russia's Krasnoe Sormovo shipyard in Nizhny Novgorod on the lower Volga. The two ships are the fourth and fifth of a series of tankers built for CASPAR, which now has the largest fleet on the Caspian, with 41 of its 86 vessels being tankers. The advantage of the 19619 class is that it can use

existing port facilities with any modification. Earlier tankers constructed for CASPAR at Krasnoe Sormovo include the *President Geidar Aliev*, *Babek* and *Shah Ismael Khatai*.

If Azerbaijan was the first post-Soviet republic out of the starting gate in expanding its tanker operations, Kazakhstan, which used to lease CASPAR, Russian and Iranian vessels is now diverting some of its oil wealth to constructing its own craft. Kazakhstan's state-owned oil and gas company KazMunayGas subsidiary Kazmortransflot and Mobilex in 2002 signed



a contract, largely underwritten by the European Bank for Reconstruction and Development, with Nizhny Novgorod's Vympel Ship-Design Company for the construction of three Caspian tankers. In August 2005 Kazmortransflot's first tanker, the \$18.75 million *Astana*, designed by Vympel and built at Russia's Vyborg Shipyard in Leningrad Oblast, began sea trials. After a month-long transit of Russian inland waterways and the Volga-Don canal, the vessel arrived in the Caspian and on May 25, 2005 Kazakh President Nursultan Nazabayev visited the *Astana* in Aktau and told reporters that besides the two sister ships under construction, Kazakhstan intended to build a 60,000-ton tanker. Construction of tankers for Kazakhstan has proved a boon to Vympel and now provides about 30 percent of the bureau's revenue.

The *Astana* sails on the Aktau-Baku and Aktau-Makhachkala routes, carrying oil from Kazakhstan's Tengiz and Buzachi fields, making 7-8 voyages per month, hauling a million tons of oil annually. Such voyages, with oil at \$60 a barrel and each ton containing 7.14 barrels, will prove immensely profitable, generating more than \$428 million in annual revenue per million tons carried, an immensely profitable return on an initial \$18.75 million investment. Since its launch, the *Astana* has been joined by sister ships *Aktay*, *Abaj*, *Kazakhstan* and *Almaty*.

Even Turkmenistan, long the isolated maverick of Caspian producers, which long rented CASPAR tankers, has begun to transport its oil by sea. Ireland's Burren Energy Shipping and Transportation, operator of the Nebit Dag Production Sharing Agreement in Turkmenistan, in 2001 signed construction contracts for ten tankers for its Samara subsidiary, some of which were to be used in Turkmenistan. Burren previously chartered Russian Volgotanker tankers for Turkmen oil exports. The same year Turkmenistan received its first 5,000-ton tanker, built in Turkey, but Niyazov proved reluctant to make substantial investments in Turkmen-owned vessels for transiting oil through its Caspian ports of Turkmenbashi, Alaja and Ekerem.

IMPLICATIONS: Not everything is smooth sailing. Two months ago, KazMunaiGas president Uzakbai Karabalin complained about the "discriminatory

tariffs" levied against Kazak tankers by Russian and Azeri Caspian ports, stating that Kazak vessels pay \$36,000 to dock in Baku, while Azeri vessels are charged only \$12,500 dollars to use Kazakhstan's Aktau port. Despite Kazmortransflot's efforts, the company still only transports half of Kazakh Caspian oil exports, with the remainder still being transported by foreign ships. Kazmortransflot chief engineer Nikolai Lagutkin added to the criticism by noting that Kazakh tankers using Russia's Dagestani Makhachkala port need a depth of 23 feet to moor in the fairway at the entrance to the harbor, but are only given permission for 21.3 feet, forcing Kazakh tankers to carry less than a full load.

In the short term, prospects for rising Caspian tanker volumes are good, especially as Washington's ongoing hostility towards Iran precludes the interim prospect of either significant oil swap arrangements or pipelines for land-locked Caspian exporters. Kazakhstan is expanding its existing port facilities at Aktau and contemplating constructing a new oil port in Kuryk, 47 miles south of Aktau, capable of handling 10 million tons of exports annually, to cope with the rapidly rising volume of oil exports from its Caspian Kashagan field. But the shipping costs are hardly cost effective, as they are currently estimated at \$7.50 per ton to transport oil across the Caspian.

Despite these considerations, the Caspian mini-tanker fleet is an interim, highly profitable short-term solution to the problem of transporting increasing amounts of Caspian crude to world markets. It seems unlikely however that the Caspian's flotilla of mini-tankers will live out its twenty-five year old operational life under International Maritime Organization guidelines. Now that Niyazov's death has removed the last potential block to a final division of the Caspian seabed, expensive but profitable undersea pipelines are certain to follow. The possible pipeline routes could avoid Russia, freeing the Caspian producers from reliance on Moscow and its exorbitant Transneft monopoly and possibly extend to Iran, still currently subject to harsh U.S. sanctions.

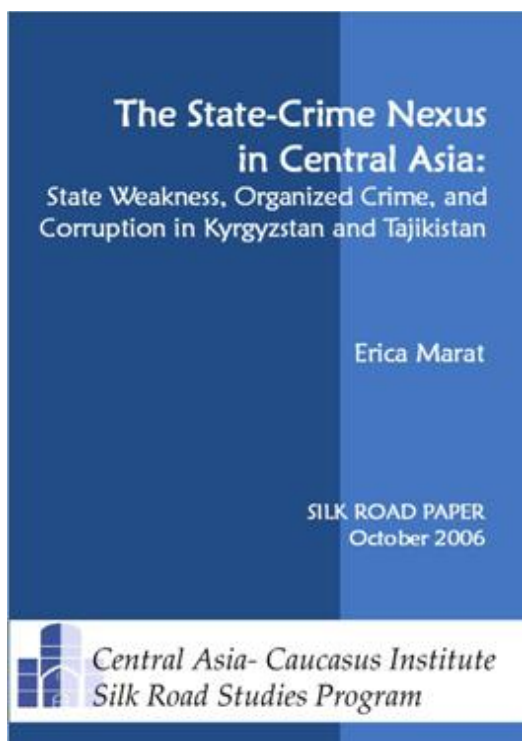
CONCLUSIONS: The May 12 agreement between Russia, Kazakhstan and Turkmenistan to build a natural gas pipeline along the Caspian's eastern shore

to export Turkmen gas to Russia's Transneft monopoly is a severe blow to both EU and American hopes for Caspian underwater pipelines that could transmit Turkmen exports via Azerbaijan onwards to European natural gas and oil markets, obviating Western concerns about Russia maintaining its dominance of Caspian exports or Iran undercutting U.S. sanctions. The May 12 agreement represents a major diplomatic and economic coup for Russia and Gazprom, despite Niyazov's efforts last year before his death to diversify Turkmen export markets. In the short term Turkmenistan appears firmly in Russia camp. The major loser in the agreement is Azerbaijan, which had hoped that Kazakhstan and eventually Turkmenistan would commit some exports to maintaining the million bpd flow of the \$3.6 billion, 1,092 mile-long Baku-Tbilisi-Ceyhan pipeline. Azerbaijan's Industry and Energy Minister Natic Aliyev, returning from a May 11-12 energy summit in Krakow, where potential routes

to transit oil and gas from the Caspian to the EU were discussed, tried to put a brave face on Putin's triumph, saying that the BTC pipeline was still available for shipping Kazakh oil. But the May 12 agreement not only indicates that Caspian exporters are committed to pipeline construction, but that miniscule tankers as an interim transit solution are already fading as a viable option.

Undersea pipelines will eventually obviate the need for small, inefficient and expensive tanker transits of the Caspian. For the foreseeable future however, the Caspian's fleet of petite tankers will continue to enjoy their highly profitable, short-term life.

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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.

RUSSIA AND IRAN MAY RESTORE RAIL CORRIDOR THROUGH ARMENIA

Haroutiun Khachatryan

Russia and Iran are restoring their direct rail connection via Armenia through projects that would enable bypassing two fragments of the former USSR-Iran corridor now blocked due to ethnic conflict. One is the already functioning Port Kavkaz-Poti ferry link, and the second is a combination of several planned projects in southern Armenia which will require the construction of a new railroad bypassing the blocked enclave of Nakhichevan.

BACKGROUND: In recent months, several events have taken place relevant to the perspectives of strengthening of the Russia-Armenia-Iran axis. The first was the launching of the Port Kavkaz-Poti railcar-carrying ferry route between Russia and Georgia, a route designed specially for connecting Russia to Armenia. This route enables direct rail car circulation between Armenia and Russia, which has so far taken place through the Ukrainian port of Ilichevsk. It is expected to reduce the current time of transportation of cargoes between Armenia and Central Russia by half, from 20-25 days to 10-12 days, and to make it cheaper by 20 percent. This will to some extent end the severance of rail communication between Armenia and its largest trade partner, Russia, which resulted from the Georgian-Abkhazian conflict in August 1992. Although the ferry (a special vessel designed to accommodate the shallow waters of Port Kavkaz, near the Kerch straits) belongs to Reserve Capital Enterprising Corporation, a Swiss private company, the governments of Armenia and Russia have undertaken significant efforts to have this route opened. Moreover, the construction of a second ferry is underway, showing that the investor envisages intensifying traffic between Armenia and Russia, and, in perspective, with Central Asia as well.

Secondly, there are declared plans to explore and subsequently extract Armenian uranium reserves by

the joint efforts of Russia and Armenia. A preliminary agreement was signed on April 23 during the visit of Sergei Kirienko, the head of the Russian Federal Atomic Energy Agency, to Armenia. According to initial assessments made in Soviet times, Armenia possesses deposits of uranium amounting at least 30,000 tons. They will be extracted and, most likely, transported to Russia, as Armenia has no facilities of uranium enrichment, and has declared that it has no intention to start uranium enrichment on its own.

The third element is the plan to construct an oil refinery near the Armenian town of Meghri, located in southern Armenia near the Iranian border. As reported after a Russian-Armenian summit in Sochi last January, this refinery was expected to have a capacity to process up to 7 million tons of Iranian oil annually, which would be pumped into Armenia through a special pipeline from the Iranian city of Tabriz, 100 km south of Meghri. Refinery products are expected to be shipped back to Iran by rail. The cost of the whole project, including the factory, the railroad and the pipeline, is reported to be US\$ 1-2 billion. Gazprom-Nafta, a subsidiary of Russia's state-run Gazprom gas monopoly, has said it is considering investing in this refinery, and Iran will also, most likely, invest in this politically motivated project.

Finally, the last few years have witnessed expanding cooperation between Armenia and Iran in the energy sphere. The Iran-Armenia gas pipeline officially inaugurated last March, is to supply gas to Armenia in return for supplies of electric power from Armenia. To this end, a power transition line between Armenia and Iran is to be constructed in addition to the two existing lines, and two hydropower plants on the border river of Araxes are to be constructed in the near future.

IMPLICATIONS: These events can combine to lead to the formation of a new North-South railroad corridor between Russia and Iran, to replace the Novorossiysk-Tbilisi-Yerevan-Nakhichevan-Julfa route, which was active in the Soviet times but is now interrupted at two places, one being Abkhazia and the other being the Nakhichevan-Armenia border, due to the Nagorno Karabakh conflict. The Abkhazian sector is bypassed through the above-mentioned Port-Kavkaz-Poti ferry link, but the Nakhichevan sector is more difficult to bypass. A railroad connecting Meghri to some part of the existing Julfa-Tabriz railroad may be constructed rather easily, as the construction needed may be as little as fifty kilometers. Nevertheless, the problem of connecting Meghri with the rest of the Armenian railways (and hence, with Russia) is a more complicated task. A railroad from Meghri to any other railroad segment in Armenia (bypassing Nakhichevan) will require installing at least 200 kilometers of new rail through a mostly mountainous territory, an undertaking that will be difficult technically and expensive.

However, there are factors which may make its prospects feasible. The first is the uranium issue, as most of the Armenian uranium deposits are reported to be located in the southern Armenian province of Syunik, in which Meghri is also located. As such, Russia (and probably other investors interested in Armenian uranium) may be interested

in providing funding for the project of constructing a railroad from central Armenia to the future uranium mine of the Syunik marz and eventually, to Meghri. Preliminary reports about the intention of the state-owned company Russian Railways to make large investments in Armenia may be relevant in this sense. Tehran may also be interested in constructing this link, as it will help Iran to implement its plans of developing the country's depressed north-western region, in particular, the so-called Aras Free Trade Zone which is adjacent to the Nakhichevan and Meghri sectors of the Iranian border and has its center in Julfa.

Besides an important role in restoring the Iran-Russia railroad route, Armenia is becoming an important partner for both from the energy viewpoint as well. Russia has important energy assets in Armenia, and has pledged to help it in building a new nuclear power station. The current station at Medzamor is expected to be closed in 2016, and according to a recent statement of President Robert Kocharian, construction of a new plant could start in 2012. The prospects for exporting Armenian uranium to Russia make such ties even tighter. As for Iran, it is set to increase its import of electricity from Armenia as seen from the above-mentioned joint plans.

CONCLUSIONS: Armenia is developing several large projects in transportation and trade with Russia on the one hand, and with Iran on the other. This may eventually result in the reopening of an important railroad corridor connecting Russia with the Gulf region. Armenia may be an important partner to both regional powers partly as a linking point in that corridor, and because of its involvement in different energy projects within the interest sphere of both powers.

AUTHOR'S BIO: Haroutiun Khachatrian is an analyst on political and economic issues based in Yerevan, Armenia.

MUSHARRAF'S OPTIONS REDUCED AMID FRESH POLITICAL TURMOIL

Naveed Ahmad

Until early March 2007, General Pervez Musharraf looked determined to win another presidential term smoothly while attaining a majority in parliament after the 2007 elections. However, his March 9 decision to remove the chief justice of Supreme Court, Iftikhar Chaudhry, changed matters. Since October 9, 1999, none has stood his ground as firmly against the military ruler as did Chief Justice Iftikhar Chaudhry. Not only does he refuse to step down, but also seeks an open trial. His defiance to the President has won Justice Iftikhar unprecedented street support in Pakistan.

BACKGROUND: Like 'preceding Pakistani military rulers, General Musharraf has expressed his desire to "continue serving the country as president for another four-year term". By striking a deal with Islamist parties – the Muttahida Majlis-i-Amal – to resign his position as army chief by December 2004, General Musharraf won a rare Parliamentary approval for his presidency. Earlier, Pakistan's Supreme Court had validated his military coup, applying the 'doctrine of necessity'. Though several judges preferred to resign over legalizing Musharraf's military rule, now defiant Justice Iftikhar Chaudhry had no objections.

Since assuming the chief justice's office, Justice Iftikhar Chaudhry has, by far, been the harbinger of judicial activism in the country through his frequent *suo moto* actions on issues concerning the downtrodden people of the country. Justice Chaudhry's in-court observations and verdicts against government policies alarmed the Musharraf camp while newspapers and political analysts lauded his defiance. Among other, he reversed a shady privatization deal for the country's massive steel mill, and embarrassed military intelligence agencies by questioning them about the whereabouts of missing citizens.

On March 9, Chief Justice Chaudhry was charged with 'misconduct' and 'misuse of authority' by General Musharraf, and a reference was sent to the

Supreme Judicial Council for a decision. Another senior judge was hurriedly sworn in as the acting chief justice.

The charge against Justice Chaudhry is based primarily on a letter by television personality and Supreme Court advocate Naeem Bokhari, who accused Chaudhry of announcing decisions in court and then giving an opposite decision in the written judgment, insulting and intimidating lawyers, insisting on ostentatious protocol and using expensive cars and airplanes, as well as influencing decision-makers to help his son make his career in the bureaucracy without due merit.

Before serving the reference on the chief justice, Musharraf summoned him at his official army chief residence to demand his resignation. Justice Chaudhry was stopped from leaving for home and kept in custody hours upon his refusal to quit.

As the news hit the electronic and print media, the legal fraternity and the public both reacted angrily towards Musharraf. The Supreme Court has not only stopped the inquiry tribunal from hearing the questionable reference, but also sought reviews into the legality of the charges and a host of issues concerning constitutionality of the proceedings. Now, the chief justice receives elaborate welcome receptions as he visits the country to address the bar associations to mark the 50th anniversary of Supreme Court.

IMPLICATIONS: Much has changed on the nation's political horizon since the March 9 reference. Musharraf suffers a serious loss of credibility and respect within the ruling coalition. Whether it is a court of law or a TV talk show, the government is at pains getting lawyers as well as commentators to defend its case.

Though the reference against Chief Justice Iftikhar Chaudhry remains *sub judice*, the government is already facing its fallout. Lawyers have united behind the chief justice, showcasing him as the symbol of rule of law and independence of the judiciary. The media has supported him as well. Last but not the least, it appears that the public is reacting seriously for the first time in the past eight years. Meanwhile, Musharraf and his key allied party – the Pakistan Muslim League (Q) – twice attempted to show street power but with little success.

The Muttahida Qaumi Movement, an ethno-political but militant party comprising Mohajirs (Urdu-speaking migrants from India) resorted to violence in a bid to stop activists of other political parties from expressing solidarity with the chief justice on his visit to Karachi last week. At least 46 people were killed in the violence, while the provincial government and law enforcing authorities watched it happen from the sidelines.

As vocal protests and rallies against the Musharraf regime continue outside the Supreme Court and elsewhere in the country, signs of his weakening are abundantly clear. Musharraf is faced with a gigantic challenge to keep the ruling alliance intact. The biggest challenge for the general is to keep his prime support base – corps commanders and other army generals – fully behind him. Speculations are rife that Musharraf's handling of the Chief Justice affair has earned him opposition also within the army ranks. The judicial crisis also pulled the political parties out of their isolation, bringing them back in contact with the people ahead of elections due in November 2007.

Shifting political stands bring to surface the most worrisome question for Islamabad as well as its

allies: the future of war on terror. It is unlikely that either of the two mainstream political parties, i.e. Benazir Bhutto's Peoples' Party and Nawaz Sharif's Muslim League, would drastically change Islamabad's policy against extremism and the Taliban if voted to power. However, any regime change and resulting rethinking of policy at this point in time could cost not only Pakistan dearly but also affect the United States and NATO's role in Afghanistan.

CONCLUSIONS: Predominantly, political analysts find little room for Musharraf in the next political dispensation. Even some senior cabinet members have been asking for the withdrawal of the reference against the Chief Justice in a bid to control the damage. The trigger effect has already united the nation's divided legal fraternity as well as the fractured opposition leadership, some of whom were close to striking a deal with the military regime. Faced with a deficit of options, Musharraf is struggling to muster some public confidence as well as regain his slipping grip over the situation. The more he acts, the deeper he gets into the marshy politico-legal affairs of the state. So far, he has made profusely clear his intention of not withdrawing the controversial reference. With Musharraf's eight-year rule and centralized decision-making on the one hand, and a fuming legal fraternity and excited political activists on the other, Pakistan could be headed for a violent showdown over the next few months. The time is near when Musharraf may have to bargain his army chief office to strike a deal with the liberal-minded Peoples' Party, for example; or leave the nation at the mercy of political unrest, shutting the door on democratic forces and leaving the war against terror unfinished.

AUTHOR'S BIO: Naveed Ahmad is an investigative journalist, whose work regularly appears on the TV channel Geo News and stories are published in The News, and the monthly magazine, Newslite. He frequently reports for American and other western newspapers on South Asian security, energy and politics.

SPECIAL ECONOMIC STATUS FOR CHECHNYA: A QUID PRO QUO ARRANGEMENT?

Kevin Daniel Leahy

The Kadyrov clan has long been lobbying the Kremlin to outfit the Chechen republic with special economic status. This status would exempt Chechnya's pro-Moscow government from paying customs tariffs. It would also provide tax-breaks for outside investors and cede control over the republic's natural resources to the Chechen government. The matter of who holds jurisdiction over these resources has been a bone of contention in centre-periphery relations for some time. Could the introduction of a special economic regime for Chechnya (minus the proviso concerning the republic's natural resources) help resolve this apparent impasse?

BACKGROUND: Russia has bandied with the concept of the special economic zone (SEZ) since the collapse of the Soviet Union. Such a zone was established in Ingushetia in 1992; however, it brought few tangible benefits for ordinary Ingush and was abolished in 1997. Far from casting a skeptical eye over the SEZ concept in the wake of this experience, it seems that many Russian decision makers became ever more enamored with the idea. In the fall of 1998, for example, as his government was grappling with a debilitating financial crisis, Russia's then-Prime Minister, Sergei Kirienko, offered separatist Chechnya SEZ status within the Russian Federation. At the time, Chechnya's leadership rejected this offer out of hand, but the idea of SEZ status certainly touched a chord with some members of the Chechen elite. It definitely appealed to the late Akhmed-Hajji Kadyrov, for instance, who, following his defection to the Russian camp at the beginning of the second Russo-Chechen war, began lobbying for the bestowal of SEZ status on Chechnya. Kadyrov's successor, Alu Alkhanov, backed by his Moscow-installed Prime Minister, Sergei Abramov, swiftly assumed his

predecessor's mantle as local champion of the SEZ concept, making it a central part of his hastily-arranged election platform in 2004.

In Moscow, there seems to exist a broad consensus that special economic areas are a novel means of boosting ailing local economies. Russia's Economy Minister, German Gref, is the figure most closely associated with the SEZ concept. In principle, he sees no reason why Chechnya should not get its own SEZ. However, Gref, like many others in Moscow, does not seem entirely convinced that Ramzan Kadyrov, recently installed as Chechnya's pro-Moscow president, is capable of expediting the SEZ initiative in a prudent fashion. When Gref visited Grozny last July in his capacity as chairman of Moscow's commission for Chechnya's reconstruction, it was reported that he butted heads with Kadyrov, who demanded the equivalent of \$75 million for unspecified reconstruction projects. When Gref requested additional details on these projects, Kadyrov could provide none. Although Kadyrov subsequently declared his willingness to help account for "every kopek" of federal budgetary assistance, it is obvious that a great many officials

in Moscow do not trust his accounting practices. Speaking in 2005, the chief of Russia's National Audit Department, Sergei Stepashin, said that his support for a Chechen SEZ was dependent on whether Alu Alkhanov could control the inward investment so that the money "isn't stolen and...doesn't go towards financing Basaev." That a person in Stepashin's position should make such a remark says little about the integrity of the pro-Moscow government in Grozny. The key point here is that while Alkhanov was universally regarded as "loyal", Kadyrov is viewed by many as self-serving and politically circumspect.

IMPLICATIONS: While Gref and Stepashin are regarded as broadly liberal in their outlook, other more hawkish figures are also suspicious of Kadyrov. The so-called *siloviki* faction, usually associated with President Putin's deputy chief of staff, Igor Sechin, is known to hold Kadyrov in low esteem and is unnerved by the Chechen president's designs on Chechnya's oil industry, currently controlled by Rosneft. Kadyrov has sought to link the introduction of a Chechen SEZ with a parallel review of the ownership rights concerning the republic's oil industry. As Rosneft's incumbent chairman, Sechin takes a special interest in this controversy and opposes Kadyrov's claims on his company's production license. But Kadyrov is not for turning: "It [Rosneft] is a powerful company, and I want to cooperate with it, not fight against it. But if it is necessary, I will fight."

For his part, with presidential elections on the horizon, Putin probably wishes this controversy would simply go away. As he cannot afford to upset either of the protagonists at this juncture, a compromise solution will be required. By granting Chechnya special economic status post haste, Putin might be able to persuade Kadyrov to declare a moratorium on his claims to Chechnya's oil industry. It must then be decided what practical form this SEZ is to assume. Will the SEZ apply to Chechnya in its entirety or just a section (or sections) of it? Gref favors the latter option. Other Russian officials seem likeminded. Sergei Abramov, for instance, envisaged the creation of an SEZ

"somewhere in the plains." Alu Alkhanov shared this view and even spoke of creating multiple zones throughout the republic. Kadyrov, meanwhile, has a somewhat grander vision entailing the extension of SEZ status to the whole of Chechnya. If pushed, however, Kadyrov is likely to compromise on this matter and would probably accept SEZ status for lowland Chechnya (or areas in the lowlands).

Incidentally, the lowlands of northern Chechnya are Kadyrov's political powerbase and much of Chechnya's economic infrastructure is situated there. The Chechen president has already laid much of the groundwork for the introduction of an SEZ. The so-called Kadyrov Foundation, an obscurely financed philanthropic organization, could feasibly function as a conduit for inward investment. Indeed, Kadyrov recently met with scores of Chechen businesspeople in Moscow with the aim of persuading them to invest in the republic. The establishment of an SEZ in Chechnya, complete with tax breaks for businesspeople, might well tempt this wealthy constituency to invest itself more heavily in Chechnya's depressed economy.

Special economic zones are not without their drawbacks, however. In some cases, they have provided an opportunity for powerful industrialists to further enrich themselves through exploiting cheap local labor. In some countries, India for example, they have also been dogged by controversies relating to the expropriation of land by large corporations, and even governments.

CONCLUSIONS: It is likely that Chechnya will have its own special economic zone (in one form or another) sometime in the not too distant future. While supporters of this initiative invariably promote it as a means of rejuvenating Chechnya's economy, in truth the Chechen SEZ is more a pawn in intra-elite politicking than a part of some abstract economic strategy. For Putin, it provides a welcome means of placating both Kadyrov and the *siloviki* at a sensitive time in Russia's electoral cycle. Kadyrov's motives appear more calculated. A cynic might apportion his enthusiasm for the SEZ project to a desire on his part to attract vulnerable investors to Chechnya. Given Kadyrov's reputation for

extracting financial tribute from Chechen businesspeople (and even members of his own cabinet) new investors are unlikely to be exempted from this practice. In this way, the Chechen SEZ could well make Kadyrov even more powerful and wealthy than he already is. Perhaps these considerations were behind Sergei Stepashin's conspicuously qualified support for the SEZ

initiative, as mentioned earlier. Regardless, Kadyrov could not care less what Stepashin (or Gref, for that matter) thinks of him. For now, the only opinion that matters to him is that of his benefactor-in-chief, Vladimir Putin.

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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.

FIELD REPORTS

BERDIMUKHAMMEDOV ENTERS A NEW PHASE OF RELATIONS WITH RUSSIA

Chemen Durdiyeva

On May 10, Russian President Vladimir Putin, and the following day Kazakhstan's President Nursultan Nazarbayev, visited Ashgabat to discuss trilaterally a number of issues pertaining mainly to developing cooperation in the region's energy sector. Having spent three days in Turkmenistan for bilateral talks with Turkmen authorities, President Putin stroke a new deal to open up a new gas pipeline to Russia with a transit line through Kazakhstan.

In addition to signing the deal on gas pipeline, the Russian and Turkmen sides also reached a number of agreements on expanding cooperation in culture and education. Mr. Putin's visit to Turkmenistan is in fact a continuation of dialogues from Berdimukammedov's recent trip to Moscow. On April 23, a week after his four-day trip to Saudi Arabia, President Berdimukammedov paid a two-day official visit to Russia. The trip focused mainly on two issues: expanding cooperation in the Turkmen energy sector and developing humanitarian issues such as culture and education. While the intergovernmental commissions with bilateral delegations work on the implementation of the agreements signed at the summit, President Berdimukammedov's trip has given a start to a new phase of relations between Russia and post-Niyazov administration.

Russia has been maintaining close relations with Turkmenistan in the energy sector since

Turkmenbashi's rule. It is noteworthy that in 2003 Moscow struck a long-term deal for 25 years to deliver Turkmen gas to Russian Federation. Currently, Turkmenistan delivers blue fuel to Russia, Ukraine and Iran, Russia being the largest importer of natural gas at up to 50 billion cubic meters (bcm) per year. In 2009, Turkmen gas is expected to reach China with the implementation of the trans-Afghan pipeline that aims to reach India through Afghanistan and Pakistan. According to Berdimukammedov's words, this new trans-Caspian pipeline to Russia is going to be built with the purpose of diversifying Turkmenistan's trade routes.

Russian President Vladimir Putin's visit to Ashgabat started with laying a foundation for the new, modern building of a Russian-Turkmen secondary school named after famous Russian poet Aleksandr Pushkin. The new ten-story and 800-seat school building will be built on the southern side of the Olympic stadium in Ashgabat. Currently, more than 600 students, mainly Turkmen, Russians, and children of expatriates working in Ashgabat attend this school and within five years of the school's existence, 300 students graduated from it. Amongst the agreements on culture and education, Mr. Berdimukammedov and Mr. Putin also agreed to actively participate in the construction of a new *Ruhnama University* in Ashgabat and particularly,

the sides agreed to open up a branch of the well-renowned Moscow State University named after Lomonosov in this Ruhnama University. Moreover, the Russian oil and gas institute named by Gubkin will also have its own branch in Ashgabat to jointly prepare national cadres in the energy sector.

In addition to a high level of dialogue in the humanitarian sphere, President Putin together with Mr. Nazarbayev and Mr. Berdimukhammedov came to the Turkmen port city of Turkmenbashi specifically to sign the agreement on the new gas pipeline and also to address new ways of developing the energy sector in the Caspian Sea region. As the deal was signed by the three sides, intergovernmental commissions are due to work out the details of the project and present a more specific agreement by September 2007. Currently, 4.2 bcm of gas is flowing through an already existing pipeline to Russia, and this amount will increase up to 10 bcm with the construction of the new pipeline. As new pipes will be drawn, President Berdimukhammedov also offered a series of other large-scale projects at the summit. First, a project of

building a new railway and a highway connecting Russia, Kazakhstan and Turkmenistan and possibly Iran through the Caspian Sea region was initiated in addition to the new gas project. Second, the oil-rich port city of Turkmenbashi, located on the banks of the Caspian Sea, is going to be what the sides called a *Free Economic Zone*, and the Turkmen side promised to do all the investment necessary for carrying out this project. Third, a common declaration was issued to develop the energy sector by renovating already existing gas pipelines and bringing the energy resources of Russia, Kazakhstan, Uzbekistan and Turkmenistan to the external market on the basis of the agreement of March 1, 2002 among the four countries, as well as on a Russian-Turkmen agreement of April 10, 2003.

While the intergovernmental commissions work on the implementation of the signed agreements, the construction of this new pipeline and the reconstruction of already existing pipes are expected to boost the supply of Turkmen gas to Russia and once again strengthen Russia's strategically significant role in the energy sector of the region.

REPUBLICAN PARTY OF ARMENIA TIGHTENS GRIP OVER PARLIAMENT

Niklas Nilsson

On May 12, parliamentary elections were held in Armenia with a relatively high voter turnout of ca 59.4 percent, according to the Central Election Commission of the Republic of Armenia. Upon the conclusion of the vote count on May 13, it was evident that the Republican Party of Armenia, chaired by Prime Minister Serzh Sarkisian (who took over the position after the death of his predecessor Adranik Markarian in March) had won a landslide victory. According to figures presented by the Central Election Commission, RPA gained 32.9 percent of the vote. The RPA's victory was expected, and the governing party's grip over the

parliament is further reinforced through the pro-government parties coming in second and third.

The RPA's main competitor, the Prosperous Armenia Party, formed in 2004 and headed by oligarch Gagik Tsarukian, made an unexpectedly poor performance and ended up with only 14.7 percent, in spite of pre-election polls forecasting a close race between RPA and PAP. The low result for PAP may have implications for the division of power between Sarkisian and President Robert Kocharyan after the presidential elections to be held in 2008. Sarkisian will in all likelihood replace Kocharyan as president and the results serve to consolidate Sarkisian's position. Kocharyan is

expected to seek to retain a powerful position in Armenian politics after his last term as president, possibly in the form of Prime Minister. The PAP has been termed a potential counter-balance to the RPA and a likely powerbase for Kocharyan in this endeavor. These suggestions are reinforced by previous statements of PAP leader Tsarukian that he does not seek a political post. Another pro-government party, the Armenian Revolutionary Federation (Dashnaksutiun), came in third at 12.8 percent. The RPA and its support parties combined thus enjoy support from over 60 percent of the voters.

The opposition's failure to form a coalition – an approach proven successful in the 2003 elections – provided for weak results. Only two opposition parties will take seats in the Parliament. Of these, Orinats Yerkir (Country of Law Party), headed by former speaker of parliament Artur Baghdasarian, got an unexpectedly low 6.8 percent, possibly an effect of Kocharyan's allegations of treason following the secret taping of Baghdasarian's conversation with a British diplomat in which he sought condemnation of the election results. The Heritage Party, headed by U.S.-born Raffi Hovansian performed stronger than expected at 5.8 percent, in spite of what locals term a low profile during the run-up.

Accordingly, the People's Party of Armenia, headed by Stepan Demirchian, Kocharyan's primary rival in the 2003 presidential elections, is now seriously weakened and does not take seats in parliament. Likewise, none of the more radical opposition parties, notable among which are Aram Sarkisian's Hanrapetutiun (Republic Party) which advocates a complete shift of power in Armenia, reached the threshold of 5 percent.

According to the independent ArmeniaNow, several cases of election fraud were reported during Election Day, including voter intimidation and ballot

falsification, while the Central Election Commission denied that any violations had taken place. In a statement on May 13, the International Election Observation Mission to Armenia reported that the elections “demonstrated improvement from previous ones and were largely in accordance with international commitments, although some issues remain unaddressed”. It refrained from using the words “free and fair”. ArmeniaNow Journalist Marianna Grigoryan states that violations were more organized during these elections and that significant vote buying took place. This was mainly done in locations outside the vicinity of polling stations and election observers. While incidents were reported by local observers, the complete magnitude and impact of these violations can therefore not be estimated.

A Yerevan-based journalist preferring to remain anonymous, stated that widespread expectations that the elections were going to be neither free, nor fair contributed to a large proportion of the electorate refraining from voting since the results were seen as given beforehand. In this view, the outcome serves to reinforce widespread perceptions that change cannot be achieved through elections in Armenia.

The opposition has voiced complaints of election fraud. On May 13, a rally was held on Liberty Square in Yerevan, where the Republic Party, Impeachment bloc and New Times Party, along with the more moderate People's Party of Armenia, gathered and termed the results unacceptable. The rally however failed to attract a large crowd, as only some 2,300 people attended. New rallies are scheduled for May 18, but locals consulted doubt that these will be more successful. It is said that the opposition was discouraged both by the relatively positive remarks by international observers and through an awareness of a lack of public support for protests.

NATIONALIZATION OF KUMTOR GOLD MINE SPARKS CONTROVERSY IN KYRGYZSTAN

Erica Marat

For the past two months, the Kyrgyz government and parliament have been discussing the possibility of nationalizing the country's largest gold company, Kumtor. The company is currently jointly owned by Canada's Centerra Gold Inc and the Kyrgyz government. To date, it represents Kyrgyzstan's largest privatized natural resources site.

The Kumtor mine is located in the Tian Shan mountains in western Kyrgyzstan. According to CGA Mining Limited, Kumtor has produced 5.8 million ounces of gold between 1997 and the end of 2006. The average price per ounce constitutes \$140. Its estimated reserve is 100 million ounces, however other sources report much smaller amounts.

Since 1997, Kumtor's annual contribution to the Kyrgyz economy constituted about 18 percent of GDP. However, most Kyrgyz experts consider the deal with Centerra Gold as largely disadvantageous for the Kyrgyz side, claiming that the Canadian partners benefit from the deal significantly more. Former president Askar Akayev and prime minister Nikolay Tanayev are accused of striking a corrupt deal where Kyrgyzstan's economic interests were poorly represented. The issue of Kumtor's nationalization was mooted since its opening, always sparking controversies between the government and parliament.

The current nationalization initiative presupposes Kyrgyzstan's increase in Kumtor's shares up to 50 percent, instead of 30 percent. Yet, nationalization is still opposed by some opposition leaders and Kumtor's employees. They argue that the government will not be able to manage the company effectively. Kyrgyz President Kurmanbek Bakiyev and members of his government are criticized for their wish to obtain a new source of large-scale corruption under the pretext of nationalization.

To nationalize Kumtor, Kyrgyzstan needs to compensate the Canadian side with \$300 million.

According to Kyrgyz analysts, since Kumtor's annual sales of gold amount to \$500-600 million, this sum could be gathered fairly easy. In general, Kumtor's nationalization process is a relatively uncomplicated process.

Some Kyrgyz experts warn that the nationalization process will lack transparency and will benefit only a few top officials. Eventually, nationalization of Kumtor by the current government may lead to insignificant changes, if any, in the company's contribution to the national economy. Kumtor's employees addressed the president with their concern that their rights are best protected under the current private ownership and nationalization will disturb the existing corporate policy.

Bakiyev is blamed for carrying out such a controversial project amid the public's fatigue with mass protests. Following the April 11-19 opposition rallies in Bishkek that ended in a government crackdown, new mass protests in central Bishkek are unlikely in the coming months.

Local residents living close to the Kumtor gold mine kept the main regional road blocked during May 3-11. Protests stopped all traffic related to the mine, hindering the normal working process there. They protested against the government's decision to nationalize the mine, fearing that once nationalized, Kumtor will reduce its subsidies to the local population.

In May 1998, Kumtor's track accidentally spilled 2 tons of cyanide into the Barskoon River. Since then Kumtor has been allocating financial and medical support to the local population.

A somewhat similar controversy is unraveling around Kyrgyzstan's second-largest gold reserve, Jerooy, located close to the town of Talas. On May 14, residents blocked the Bishkek-Talas road, demanding that the government discontinue exploration at Jerooy. According to Kyrgyz civic

activists working with a Dutch NGO, Milieu Contact International, Talas residents are mainly concerned with the ecological consequences of the Jerooy project. In response to protestors' worries, Kyrgyz prime minister Almazbek Atambayev promised to terminate works related to the Jerooy mine.

Some Kyrgyz experts tend to see controversies surrounding the Jerooy project as a clash of vested interests among government officials. Accordingly, local residents are used in showdowns between competing parties. Jerooy's first gold is expected to be produced by the end of this year.

The nationalization of Kumtor and the development of the Jerooy mine are both potentially lucrative

deals for the Kyrgyz economy. However, under the current government, infamous for its corruption, both projects might potentially be mismanaged, benefiting only a select few among the current regime incumbents.

The situation around gold reserves have substantial similarities with the Kyrgyz government's ineffective administration of the hydropower sector. Similar to gold, electricity is one of the key economic resources in Kyrgyzstan. However, the energy sector is also a source of corruption, considerably hindering its modernization.

TENSIONS RISE OVER SANAKOYEV'S ALTERNATIVE GOVERNMENT IN SOUTH OSSETIA

Kakha Jibladze

Tension in the South Ossetian conflict zone continues to rise as the Georgian government cements its support for the region's 'alternative' *de facto* leadership. While officials in Tbilisi have praised the new, innovative measures aimed to break the decade-long stalemate between the two sides, observers warn that change could further destabilize the situation for both Georgian and Ossetian civilians living in the conflict zone.

On May 11, the Tskhinvali-based *de facto* leadership closed the roads leading out of the conflict zone in response to Tbilisi's decision to name Dmitri Sanakoyev, the controversial "alternative" – and unrecognized – leader of South Ossetia based in the Georgian-controlled village of Kurta, the head of a new administrative center in the conflict zone. The new position was created this spring after President Mikheil Saakashvili met with Sanakoyev in March.

Eduard Kokoiti, the Tskhinvali-based unrecognized leader, has responded to the initiative with stronger

anti-Georgian measures. In addition to closing the roads in the conflict zone (some were reopened on May 14), violent clashes between Ossetians and Georgians have also increased. On May 12, a Georgian police officer and a resident of Tskhinvali were reportedly injured during an exchange of fire, according to Georgian media reports.

The violence has not been confined to Georgians and Ossetians; on May 7, a group of observers which included representatives from the OSCE, which is facilitating peace negotiations, Russian peacekeeping forces, North Ossetia and Georgia were threatened by Ossetian militia when the group discovered military weapons – a ZU-23-2 anti-aircraft gun and STRELA-2M anti-aircraft rocket – under Ossetian control in the conflict zone.

The incident provoked the Russian government, normally a strident supporter of the Kokoiti regime, to issue a rare rebuke against the Tskhinvali leadership for failing to support the peace process.

The OSCE were even more adamant; in a statement issued to the press on May 9, the OSCE Chairman-in-Office, Spanish Foreign Minister Miguel Angel Moratinos, “condemned” violence in the conflict zone.



Dmitry Sanakoyev

“Threatening and impeding the monitoring activities of the Joint Peacekeeping Forces and the OSCE is serious and unacceptable. The violence used during this occasion is particularly condemned,” he said, as reported by Georgian media outlets.

While the Georgian government maintains that, despite Sanakoyev’s new official position, Tbilisi is open to negotiations with “any party” committed to peace, Kokoiti has threatened to walk away from the stagnated peace process.

According to the de facto leader – and the Russian Ministry of Foreign Affairs – Sanakoyev is a “puppet” of the Georgian officials and his presence in the peace negotiations has destabilized the already fragile situation on the ground.

Sanakoyev, however, maintains that after years of propaganda and political stalemates, Kokoiti has lost his chance to resolve the conflict. In a speech to the Georgian parliament March 11, Sanakoyev, speaking in Ossetian, reiterated Tbilisi’s main position: autonomy for South Ossetia within the Georgian government.

An Ossetian war hero during the brief war between Georgia and South Ossetia, Sanakoyev appeared to have come full circle. “There is only one solution – direct dialogue between the Georgian and Ossetian peoples, the neutralization of external and internal destructive forces and their replacement with the effective and healthy support of the international democratic community,” he said, adding that compromise is “necessary.”

While officials in Tbilisi have praised Sanakoyev – and the innovative plan to give him an official role within the peace process – international organizations are still wary. During the NATO Parliamentary Assembly’s 65th Rose-Roth seminar in Tbilisi on April 20, Sanakoyev gave a brief speech on the situation in the conflict zone, although NATO organizers were hesitant about allowing him to address the audience. Kokoiti was also invited but refused to attend.

In addition, the Caucasus Institute for Peace, Democracy and Development (CIPDD) released a paper analyzing the government’s tactics in April. According to their findings, while Tbilisi’s strategy of supporting Sanakoyev could help break the stalemate in the conflict zone, the government is also creating new obstacles, namely the risk that its move will force Kokoiti to take more violent steps. In addition, the paper noted that if the public views Sanakoyev as a mere Tbilisi-controlled “puppet,” the whole initiative could backfire.

Over the past year the Georgian government has sought to inject new energy into the staled peace process over the South Ossetian conflict zone. While its latest strategy has strong backing in Georgia, they still face a legacy of a lot of promises – with little concrete results – in the conflict zone itself. The idea of creating a new forum to speak directly with the population could help rebuild bridges between the population in the conflict zone and Tbilisi, if the government follows up with concrete confidence building measures, such as a fair and speedy property restitution program for Ossetians – and Georgians – uprooted prior to and during the brief war.

NEWS DIGEST

SWISS TO HAND OVER \$84 MILLION IN BLOCKED ASSETS TO KAZAKHSTAN

4 May

Switzerland said Friday it has agreed to send \$84 million in blocked assets to Kazakhstan. The Foreign Ministry said the cash had been frozen in Switzerland as the result of a corruption case involving an American businessman and oil concessions in the Central Asian nation. It said Switzerland, the United States and Kazakhstan agreed to the arrangement earlier this week. While the ministry's statement did not identify the businessman, the details of the case appear to correspond with U.S. investigations of James H. Giffen, a New York banker indicted in 2003 on charges of making more than \$78 million in unlawful payments to two senior Kazakh officials. Giffen allegedly made the payments in the 1990s on behalf of U.S. oil companies, including Mobil Oil Corp, to obtain concessions to exploit oil resources. The indictment accused Giffen of defrauding Kazakhstan out of millions in oil dollars. Ambassador Paul Seger, head of the Swiss ministry's international law department, said only that the transfer of funds had been agreed to as part of a deal between U.S. authorities and the American businessman, whom he also declined to identify. "The funds will be used for the benefit of needy children in Kazakhstan," the ministry said. The U.S. and Switzerland will both be allowed to veto the transfer of any funds, it said. The World Bank will help the three countries in monitoring payments. (AP)

MINISTER SAYS KAZAKHSTAN SUPPORTS TURKMENISTAN-CHINA PIPELINE PROJECT

4 May

Kazakh Energy Minister Baktykozha Izmukhambetov told Interfax that Kazakhstan supports the construction of a natural gas pipeline

from Turkmenistan to China through Kazakhstan. Izmukhambetov said that Kazakh Prime Minister Karim Masimov "specifically discussed the issue of the route of the future gas pipeline from Turkmenistan to China" on a recent visit to Turkmenistan. Izmukhambetov added, "We have various proposals and options. If the option [of building the gas pipeline] through Uzbekistan directly through southern Kazakhstan and on to China is passed, we also have some of our own proposals." Turkmenistan and China signed a framework agreement in 2006 to build a pipeline to export Turkmen gas to China by 2009 with an annual capacity of 30 billion cubic meters. (Interfax)

DAUGHTER OF KYRGYZ EX-PRESIDENT FACES CHARGES

5 May

Prosecutors in Chuy Province on May 5 charged Bermet Akaeva, daughter of former Kyrgyz President Askar Akaev, with obstruction of justice, contempt of court, and the destruction of documents. Prosecutor Jumadyl Makeshov said the charges stemmed from the actions of Akaeva's supporters in Kemin during her disputed bid to run in an April 29 parliamentary by-election. Akaeva signed a statement agreeing not to leave Bishkek and to remain home at night. In a statement to 24.kg on May 5, ex-president Akaev said, "I am sure that these charges have no legal grounds. It is painful for me to see that she has been subjected to unprecedented moral and physical torture since 28 April." (24.kg)

TURKMENISTAN HOPES FOR COOPERATION WITH U.S. OIL COMPANY

7 May

Turkmen President Gurbanguly Berdymukhammedov told managers from U.S.-based Chevron on May 3 that he would like Chevron to take part in exploration, oil refining,

and development projects in the Turkmen sector of the Caspian Sea, turkmenistan.ru reported. The meeting in Ashgabat was attended by Guy Hollingsworth, managing director of Chevron Eurasia, and Ian MacDonald, who heads Chevron's Russian operations, "The Moscow Times" reported. No further details were provided in the official Turkmen report, but a Chevron spokesman said in a statement, "We believe Turkmenistan has all the opportunities for becoming one of the world's oil majors and hope Chevron will be capable of rendering support to the development of the Turkmen oil and gas sector." (RFE/RL)

BRITISH POLITICAL, CULTURAL ELITE SLAMS RUSSIAN ABUSES IN CHECHNYA

7 May

More than 100 British luminaries have appended their signatures to a letter, published on May 7 in "The Independent," deploring "persistent human rights abuses and war crimes" in Chechnya and calling on President Putin to "take whatever action he can to restore peace and the rule of law." The signatories implicitly rejected Putin's argument that the installation of Ramzan Kadyrov as pro-Moscow republic head will expedite a return to peace and stability, pointing out that, on the contrary, Kadyrov's administration represents for the majority of Chechens "little more than a regime of fear and oppression." The signatories include the present and former leaders of the Liberal Democrats, Charles Kennedy and Menzies Campbell, and former Conservative Foreign Secretary Malcolm Rifkind. (RFE/RL)

AZERBAIJANI PRESIDENT CLAIMS ARMENIA HAS MADE CONCESSIONS OVER KARABAKH SETTLEMENT

7 May

Speaking on May 4 at the ceremonial inauguration of a new settlement near Baku for displaced persons who fled their homes during the Karabakh conflict, Azerbaijan's President Ilham Aliyev claimed that Armenia has made key concessions regarding how that conflict is to be resolved. Specifically, Aliyev claimed that Yerevan has agreed to relinquish over a period of several years control of seven Azerbaijani districts bordering on Nagorno-Karabakh, after which a decision will be taken on the disputed region's status within Azerbaijan. But both Armenian Prime Minister Serzh Sarkisian and Foreign Ministry spokesman Vladimir Karapetian denied later on May 4 that Yerevan's negotiating

position has changed in any way. Armenian Foreign Minister Vartan Oskanian explained in June 2006 that Armenian forces will not be withdrawn from Lacin and Kelbacar until after a referendum is held to determine Karabakh's future status. (RFE/RL)

TWO AZERBAIJANI JOURNALISTS SENTENCED

7 May

Baku's Sabayil district court passed sentence on May 4 on journalist Rafiq Tagi and editor Samir Sadatoglu in connection with an article published in November 2006 in Sadatoglu's newspaper "Sanat."

The court

deemed the publication of Tagi's article "Europe and Us," which discussed relations between Islam and Christianity, an attempt to incite religious hatred, and sentenced Tagi to three and Sadatoglu to four years' imprisonment. The press watchdog Reporters without Borders (RSF) issued a statement on May 4 branding the sentences "disproportionate" and an indication of the extent to which free speech in Azerbaijan is threatened. Presidential administration official Ali Hasanov told day.az on May 7 that RSF is "biased" in its assessments, and for that reason the Azerbaijani authorities will no longer cooperate with it. (day.az)

KAZAKHSTAN REPORTS SHARP INCREASE IN FOREIGN DEBT

8 May

In a press conference in Almaty, Kazakh Central Bank Deputy chairwoman Gulbanu Aymanbetova reported on May 8 that Kazakhstan's foreign debt has risen sharply, from \$42.6 billion in 2005 to \$73.8 billion at the end of 2006. She noted that the sharp increase in the country's external debt was "mainly due to the banking sector's borrowing." She added that the foreign debt of the Kazakh banking sector grew by more than \$18 billion in 2006, reaching a total of \$33.3 billion at the end of the year. (Interfax)

SOUTH OSSETIAN LEADER SUSPENDS CONTACTS WITH TBILISI

8 May

Eduard Kokoity, de facto president of the unrecognized breakaway republic of South Ossetia, warned on May 7 that his regime will not resume talks with the central Georgian government until Tbilisi abjures any further contacts with Dmitry Sanakoyev. South Ossetia's Georgian minority elected Sanakoyev its "president" in a ballot last November that neither the Georgian authorities nor

the international community recognized as legal and valid. The Georgian parliament passed last month in the first and on May 8 in the second reading a bill drafted by President Saakashvili creating a "provisional" administration in South Ossetia that is intended to legalize Sanakoyev's position. Sanakoyev is to address the Georgian parliament on May 11, at which juncture he will be formally named head of the new temporary administration, Caucasus Press reported on May 8. (Caucasus Press)

ESTONIAN PRESIDENT VISITS GEORGIA

9 May

Georgian President Mikhail Saakashvili told his visiting Estonian counterpart Toomas Hendriks Ilves in Tbilisi on May 7 that Georgians are shocked by the violent response by Russians in Estonia to the relocation from central Tallin of a Soviet memorial to World War II dead, Caucasus Press reported. Saakashvili said that "we should all assist Estonia in creating a strong democratic society and in preventing undemocratic activities." On May 8, the Georgian parliament adopted a resolution similarly condemning the backlash to the relocation of the monument, including protests outside the Estonian Embassy in Moscow. The resolution expressed support for all measures taken by the Estonian government to restore order. (RFE/RL)

KAZAKHSTAN TO USE RUSSIA AS MAIN OIL TRANSIT ROUTE – NAZARBAYEV

10 May

Kazakhstan's cooperation with Russia in transporting energy is strategic in nature, Kazakh President Nursultan Nazarbayev said. "Kazakhstan is absolutely committed to shipping most of oil, if not all of it, through Russian territory. We have always said this," Nazarbayev said at negotiations with Russian President Vladimir Putin in Astana on Thursday. (Interfax)

POLICE, DEMONSTRATORS CLASH IN ARMENIAN CAPITAL

10 May

Police used truncheons and tear gas on May 9 against some of the several thousand participants in an election rally in Yerevan jointly convened by former Prime Minister Aram Sargsian's Hanrapetutiun, Aram Karapetian's Nor Zhamanakner, and Aylentrank (Alternative). Some demonstrators were detained

briefly but then released. Former Yerevan Mayor Vahagn Khachatrian told the gathering that there is no longer any alternative to the impeachment of the current leadership. Sargsian warned that if the May 12 parliamentary elections are falsified, the bloc will convene a mass demonstration on May 13 on Freedom Square in Yerevan "to decide what to do next." Demonstration participants marched to the National Security Ministry building to protest the detention of Karabakh war veterans Zhirayr Sefilian and Vartan Malkhasian and of former Foreign Minister Alexander Arzoumanian. Also on May 9, Arzoumanian's lawyer Hovik Arsenian told RFE/RL's Armenian Service that the authorities do not have sufficient evidence to substantiate the charges of money laundering against Arzoumanian and will probably release him from detention later this week. (RFE/RL)

RUSSIA, KAZAKHSTAN, TURKMENISTAN AGREE ON CASPIAN PIPE

12 May

Russia, Kazakhstan and Turkmenistan agreed to build a gas pipeline along the Caspian coast and will sign the deal by September 1, a joint declaration of the three presidents said Friday. Following the summit meeting in Turkmenistan, Vladimir Putin, Nursultan Nazarbayev and Gurbanguly Berdymukhammedov instructed their governments to order the construction of the pipeline starting from the second half of 2008. The pipeline, which will run from Turkmenistan along the Caspian coast of Kazakhstan and on to Russia, is a rival project to U.S. and European proposals to build a pipeline under the Caspian Sea, which would carry Turkmen gas to southern Europe bypassing Russia, the sole re-exporter of the Turkmen gas. Putin's Central Asian tour, which includes Kazakhstan and Turkmenistan, coincided with an energy summit in Poland May 11-13 aimed at reducing energy dependence on Russia. Nazarbayev, its key participant, pulled out from the forum also being attended by Azerbaijan, Georgia, Ukraine and Lithuania. (RIA Novosti)

CASPIAN GASLINE RECONSTRUCTION TO BOOST ITS THROUGHPUT CAPACITY – PUTIN

12 May

The reconstruction and development of a Caspian gas pipeline will help boost its throughput capacity by 2012, Russian President Vladimir Putin has said. "We will reconstruct the existing facilities and build

new ones. We will do this in the near future, and this would increase their throughput capacity by at least 12 billion cubic meters by 2012," Putin told journalists in Turkmenbashi on Saturday. "We opened the Caspian gas pipeline route at Turkmenistan's request," Putin said. This pipeline is pumping 4.2 billion cubic meters of gas a year now, although it "can pump even 10.5 billion cubic meters," Putin said. (Interfax)

OPPOSITION RALLY UNDER WAY IN YEREVAN

13 May

A rally organized by a number of Armenian opposition parties has begun on Sunday afternoon in Yerevan. Up to several thousand people are said to take part in the rally. Initially, three opposition parties, including the Republic Party, the New Times Party and the Impeachment opposition bloc planned to stage the rally. Later, a number of other Armenian opposition parties, which according to final results failed to overcome a 5% barrier and secure seats in the parliament, joined them in the protest action. Opposition politicians presented at the rally information on violations and falsifications, which as they claim were registered at the May 13 parliamentary elections. "We cannot acknowledge the results of the elections, because such elections humiliate the dignity of our nation. We are ready to cooperate with all forces that will fight for fair elections," leader of the opposition Armenian People's Party Stepan Demirchian said. (Interfax)

REPUBLICAN PARTY LEADING IN ARMENIAN ELECTIONS

13 May

With 812,930 ballot papers processed, which makes 59% of the votes cast in Saturday's parliamentary elections, Armenia's Republican Party is leading, having won 35% of the counted votes, officials with the Central Elections Commission told Interfax on Sunday. Prosperous Armenia is in second place with 16% of the counted votes, Dashnaktsutyun in third with 14% and the opposition Orinats Yerkir party (Law-Based State) is in fourth place with 6.6% of the votes. The United Labor Party has won 4.5% of the counted votes, the Heritage Party 3.9% and the National Union Party 3.7%. All of these parties have a good chance of overriding the 5% barrier required for parliamentary representation. But the votes counted do not fully reflect the situation in the

Armenian capital, which has no on-line system of transferring data, the commission said. After figures are obtained for Yerevan, the picture could change seriously, it said. The Central Elections Commission refrained from commenting on opposition parties' claims regarding mass vote rigging. A mission of observers representing the Commonwealth of Independent States is likely to publish a report shortly. Their colleagues from the Organization for Security and Cooperation in Europe are expected to produce an account of the work done at 2:30 p.m., local time (1:30 p.m., Moscow time) Sunday. (Interfax)

GEORGIAN POLICEMAN, TSKHINVALI RESIDENT WOUNDED IN SHOOTOUT - PEACEKEEPERS

13 May

Peacekeepers have reported shoot-outs in the Georgian-Ossetian conflict zone, in which a Georgian police officer and a resident of Tskhinvali were wounded. "An intensive exchange of fire, involving the conflicting parties' law enforcement squads, lasted from 8:05 p.m. until 8:45 p.m. on May 12 between the southern limit of Tskhinvali, the outskirts of the village of Ergneti and the northern limit of the village of Nikozi," sources in the headquarters of the Joint Peacekeeping Force in the Georgian-Ossetian conflict zone told Interfax on Sunday. "A three-way monitoring mission and observers from the Organization for Security and Cooperation in Europe failed to establish the initiator. The first shots were fired on the eastern bank of the Bolshaya Liakhva near an irrigation canal between the northern limit of the Georgian village of Ergneti and the southern outskirts of the Ossetian village of Gudzhabauri," the report says. The conflicting sides used firearms and grenade launchers. Heavy weapons were not used. A Georgian police officer was wounded and hospitalized in Gori," it said. Exchanges of fire also occurred between the Georgian and South Ossetian sides from 11:30 p.m. to midnight between the northern limit of Tskhinvali, the village of Kverneti and the southern outskirts of Tamarasheni," the headquarters said. "The sides used firearms and grenade launchers. A resident of Tskhinvali was wounded. He was hospitalized," the peacekeepers said. The monitoring groups continued investigating the incident on May 13, they said. (Interfax)

E.U. EXTENDS SANCTIONS AGAINST UZBEKISTAN

14 May

The European Union will drop a visa ban against four Uzbek officials, EU foreign ministers decided Monday while extending other sanctions against the Central Asian nation imposed after a crackdown on an uprising in 2005. The arms embargo on Uzbekistan remains in place, but only eight Uzbek officials will now be banned from traveling to the EU, down from 12, Ferrero-Waldner said, adding that the sanctions will be reviewed again in six months. The sanctions were imposed after government troops opened fire on a crowd of mostly peaceful protesters in Andijan, a city in the east of the country, two years ago, killing at least 700 people, according to rights groups and witnesses. The government insisted 187 died and blamed Islamic militants for instigating the violence. The Uzbeks have refused to meet EU demands for an independent investigation into the crackdown. But the bloc seized on President Islam Karimov's increased willingness to discuss the May 13, 2005, events. The EU "appreciates the readiness of the Uzbek side to engage in this dialogue," the ministers said in a statement. Ferrero-Waldner said the modified visa ban "gives a chance to the Uzbeks to show that they really mean what they say ... and we think this is a way of engaging with the Uzbeks." (AP)

CENTRAL ASIAN PIPELINE WOULD BYPASS RUSSIA

14 May

Ukraine, Lithuania, Azerbaijan, Georgia and Poland are setting up a consortium to transport Central Asian energy to Europe, bypassing Russia. "We discussed energy security at the Polish summit," Azerbaijani Industry and Energy Minister Natiq Aliyev told APA news agency Sunday. "An ad hoc group will be set up to facilitate the creation of a joint consortium on the transportation of energy resources to Europe." In a meeting Friday, the leaders of five countries met in Krakow, Poland, and decided to extend the Odessa-Brody pipeline to Polish energy facilities to create a corridor to Europe, bypassing Russia. The move is a boost to efforts by Europe to reduce its energy dependence on Russia. (UPI)

OPPOSITION MP QUESTIONS SAAKASHVILI'S BORDER REMARKS

14 May

The Georgian Foreign Ministry and President Saakashvili should clarify the latter's remarks vis-a-vis a border agreement with Azerbaijan, opposition lawmaker from the Conservative Party Zviad Dzidziguri said on May 14. President Saakashvili said on May 12, after talks with his visiting Azerbaijani counterpart, Ilham Aliyev, that the two countries would soon reach an agreement on the disputed border section of Davit Gareji, a complex of cave monasteries. "Joint working groups will meet soon... Strategic heights should remain under Azerbaijani control, while the complex of monasteries has to remain on Georgian territory... I am sure we will be able to sign [a border delimitation] agreement very soon," Saakashvili told reporters. But Dzidziguri said at a news conference on May 14 that it was impossible to separate "strategic heights" from the monasteries complex. "It is impossible because part of the monastery is located on those very same strategic heights. It is impossible to consider the monastery and the strategic heights separately," Dzidziguri said. (Civil Georgia)

AZERBAIJAN: FORMER OIL CO. HEAD ON TRIAL

15 May

The trial opened on Tuesday for the former chief of Azerbaijan's largest private oil company and his brother, a former Cabinet minister who also has been charged in an alleged coup plot. Opposition figures and supporters of the brothers, Rafiq and Farhad Aliyev, say the charges they face of economic crimes, including bribe-taking and tax evasion, are politically motivated. Journalists and diplomats were not allowed into the opening session of the trial, which local human rights activist Elchin Behbudov said "bears witness to the fact that this is a made-to-order legal process and will be carried out unobjectively." Rafiq Aliev is former chief of the private oil company Azpetrol. His brother is a former Economic Development Minister and one of a dozen people arrested in 2005 in connection with the alleged coup plot. The opposition says the arrests were part of an effort by the government to manipulate the vote in parliamentary elections that year. The arrests came shortly before the elections. Rafiq Aliev had not been charged with participation in the plot. (AP)

BERLIN BASHES U.S. AFGHANISTAN STRATEGY

15 May

Germany is making its objections clear to the U.S. military strategy for Afghanistan after an anti-terror operation killed civilians. "We need to make sure that future operations don't take place in this way," German Defense Minister Franz Josef Jung said Monday in Brussels at a meeting with his European Union counterparts, according to German online daily *Netzeitung*. Jung was referencing a bombing of the U.S.-led Operation Enduring Freedom, which fights the Taliban and other terror groups in Afghanistan; the air raid was directed against the Taliban but killed at least 21 civilians in the Helmand province. Jung warned that OEF would undermine the goal of the NATO-led International Security Assistance Force, which is tasked with reconstruction efforts. "We don't want the population against us," Jung said. "We have to prevent that." Jung has in the past lobbied to win over the hearts and minds of the Afghan population, and pair security missions with an increasing number of civilian reconstruction efforts. The death of civilians was "just the wrong tactic," he said, adding that he had discussed the unfortunate incident with NATO Secretary-General Jaap de Hoop Scheffer. Meanwhile, EU defense ministers agreed to send some 160 police to Afghanistan to provide training for the domestic police force. "This mission represents a major contribution to establishing a professional police sector in Afghanistan," Javier Solana, the EU's foreign policy chief, said in a statement. (UPI)

AIR STRIKES KILL 60 TALIBAN IN AFGHANISTAN: POLICE

15 May

Sixty Taliban fighters including three commanders were killed in overnight air strikes on two rebel bases in the southern Afghan province of Kandahar, a provincial police chief said on Tuesday. A spokesman for the Afghan Defense Ministry gave a lower death toll. "I can confirm only 11 dead, including a Taliban commander," Zahir Azimi said. The joint operation involving foreign and Afghan security forces took place in the Zharai district of Kandahar, police chief Esmatullah Alizai told Reuters. He said there were no casualties among the foreign or Afghan forces. A U.S. military spokesman said he was aware of the reports and was checking them. NATO said it was not aware of any

involvement in such an operation. Violence has surged in Afghanistan in recent weeks after the traditional winter lull. Hundreds have been killed already this year after more than 4,000 people died last year. In the latest attack, a roadside bomb killed seven Afghan soldiers in the eastern province of Nuristan on Monday, the defense ministry said. Four soldiers were missing after the blast. The Taliban, who lost their top field commander in a clash at the weekend, could not be contacted immediately for comment about their reported losses in Kandahar. Mullah Dadullah was killed in a battle with U.S.-led forces in what was seen as the most serious blow to the Taliban since the insurgency began. Afghans have protested the deaths of civilians in air strikes by the U.S.-led coalition. (Reuters)

KAZAKHSTAN LONG-TIME LEADER PROPOSES CUTTING TERM AFTER 2012 -1

16 May

Kazakhstan's president, who has led the Central Asian state for 18 years, proposed cutting a presidential term from seven to five years after 2012 as a "democratic" measure. In a speech to parliament Nursultan Nazarbayev, whose term is due to expire in 2012, also proposed a series of constitutional amendments which he said were aimed at transforming the energy rich Central Asian state from a presidential republic into a presidential-parliamentary one. "We want to emphasize our democratic commitments," said the president of the former Soviet republic, which has posted high economic growth and relative stability stemming from vast oil and gas reserves. The country's GDP grew 10.6% last year and 9.4% in 2005. Nazarbayev also said parliament should be given the right to control the government, which will be accountable both to the president and the legislature. "A simple majority rather than two thirds of votes should be enough for the lower house to pass a vote of no-confidence in the government," the president said. Nazarbayev's initiatives also included giving the parliament wider rights in forming bodies of the Central Election Commission and the committee auditing the implementation of the budget. The president also called for lifting the ban on state funding for public organizations. "A plan must be developed to provide partial financing of political parties from the state budget," he said. (RIA Novosti)