

Central Asia-Caucasus Analyst

BI-WEEKLY BRIEFING

VOL. 11 NO. 8

22 April 2009

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ANALYTICAL ARTICLES:

GEORGIA'S TEST AND THE ROLE OF THE WEST

Kelli Hash-Gonzalez and Mamuka Tsereteli

THE GROWTH OF COMMERCIAL EX- CHANGES BETWEEN CENTRAL EUROPE AND CENTRAL ASIA

Sébastien Peyrouse

CHINA'S 'PEACEFUL RISE' IN CENTRAL ASIA

Stephen Blank

SCARY STATISTICS: THE STATE OF SCHOOLS IN KYRGYZSTAN

Anvar Rahmetov

FIELD REPORTS:

IS THERE ANY FUTURE FOR UZBEKISTAN IN THE CSTO?

Erkin Akhmadov

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Haroutiun Khachatrian

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NEWS DIGEST



*Central Asia- Caucasus Institute
Silk Road Studies Program*

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Contents

Analytical Articles

- GEORGIA'S TEST AND THE ROLE OF THE WEST** 3
Kelli Hash-Gonzalez and Mamuka Tsereteli
- THE GROWTH OF COMMERCIAL EXCHANGES BETWEEN CENTRAL EUROPE AND CENTRAL ASIA** 6
Sébastien Peyrouse
- CHINA'S 'PEACEFUL RISE' IN CENTRAL ASIA** 9
Stephen Blank
- SCARY STATISTICS: THE STATE OF SCHOOLS IN KYRGYZSTAN** 12
Anvar Rahmetov

Field Reports

- IS THERE ANY FUTURE FOR UZBEKISTAN IN THE CSTO?** 15
Erkin Akhmadov
- IRAN AND ARMENIA TIGHTEN POLITICAL AND ECONOMIC TIES** 16
Haroutiun Khachatrian
- RUSSIAN TV CLAIMS MANAS BASE IS USED FOR GLOBAL SPYING** 17
Erica Marat
- A FAILED ATTEMPT TO RECOVER COTTON PRODUCTION IN TAJIKISTAN** 19
Suhrob Majidov

- News Digest** 21

THE CENTRAL ASIA-CAUCASUS ANALYST

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Submission Guidelines:

Analytical Articles require a three to four sentence Key Issue introduction to the article based on a news hook. Rather than a general, overarching analysis, the article must offer considered and careful judgment supported with concrete examples. The ideal length of analytical articles is between 1,100 and 1,500 words. The articles are structured as follows:

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

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

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

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

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

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

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GEORGIA'S TEST AND THE ROLE OF THE WEST

Kelli Hash-Gonzalez and Mamuka Tsereteli

Georgia is facing yet another political challenge. In the wake of a devastating war with Russia and continued Russian occupation of Georgian territories, a broad coalition of political parties and civic organizations is demanding political changes in the country. In fact, it is becoming clear that stability cannot be maintained in Georgia without significant reform. The U.S. interests in the region dictate the need for strong support of Georgia's independence and territorial integrity, as well as its internal political stability. That can only be achieved through active mediation by the US and EU between the opposing political factions.

BACKGROUND: It is becoming clear that stability cannot be maintained in Georgia without radical reforms of the political system, and broader representation of the political spectrum in the governing bodies. Such reforms are necessary in order for the country to gain more support from Western allies and, most importantly, to deal with the pressing issues of internal development, including economic and social problems.

The conflict with Russia compounds Georgia's internal problems. Georgia is a key target of Russian efforts to reduce or eliminate alternative access routes to Central Asia and Afghanistan for the US, NATO, and Western energy interests. Russian interests will be served by a weak and destabilized Georgia, as that would leave Russia as the key, and maybe sole, potential partner for Western access to Central Asia. In that case, Russia would be able to dictate its own terms of collaboration. The August war made it clear that Russia is willing to use force to protect these interests. With that war, Georgians learned that Russia will always have enough power to inflict substantial damage on their country or, in the worst-case scenario, destroy its statehood. The Western response to the events before, during, and

after the war has also demonstrated that Georgia can expect limited help in case of Russian military aggression.

Against the backdrop of the security challenges posed by Russia, and the economic consequences of the global financial crisis and the war, there is growing popular discontent in Georgia with the performance of the government. While not drawing as many supporters as they had hoped to, the opposition coalition drew substantial numbers of people to the streets, with a smaller yet significant number staying on. More importantly, the opposition is more organized than had been expected, and protesters have remained peaceful. Meanwhile, the government's response to the protests so far has been largely peaceful and reserved. It is clear that lessons were learned from the experience of November 7, 2007, when the government used excessive force against demonstrators. That is a positive development, but it does not mean Georgia's problems are resolved.

Indeed, with no meaningful process of negotiations and no tangible concessions from either side, the standoff has entered a stalemate that could transform into a serious confrontation. Several government buildings and major roads in



(Reuters)

Tbilisi are now blocked by improvised prison cells, occupied by self-imprisoned political and public figures. This is already disrupting the functioning of the state and municipal institutions. In addition, some protesters have been severely beaten by small groups of individuals in civilian dress, sometimes wearing masks, usually outside of the protest sites. The opposition accuses the government of organizing those violent attacks and has threatened to organize self-defense groups, something that would further deteriorate an already dangerous environment. Some of those beatings were documented by security cameras, and criminal investigations are under way.

IMPLICATIONS: The current political crisis can lead Georgia to serious destabilization that will further weaken the country's internal and external security. There is no internal capacity for the resolution of the crisis between the government and opposition. This challenge suggests several realistic scenarios for the near future. In the first, a status quo scenario, the government may succeed in managing the political unrest, disregarding major demonstrations and opposition demands for

new presidential elections. It will use all available means to convince the majority of citizens that there is no alternative to the current government if stability is to be preserved. The probability of this scenario will depend on the following conditions: a public desire for stability; political

division among opposition leaders; allocation of substantial resources to populist government programs; limited Russian interference; and strong and documented demonstration of political will by the government to conduct substantial democratic and judiciary reforms. Under such conditions, fewer people will be motivated to protest. However, without meaningful change and reforms, it will be hard to maintain stability or achieve lasting national unity: tensions will remain high, with a likelihood of repeated anti-government demonstrations in a few months.

In a second more radical scenario, the government will be unable to maintain control over political developments, and clashes between the government and opposition will become inevitable. This could include provocations in the streets of Tbilisi, sabotage on the main roads, picketing of state and municipal institutions, etc. This may be followed by the government's use of force and additional destabilization. There is little chance for a forceful overthrow of the government by the opposition at this point, but if the

government seeks to keep power by force, destabilization will lead to further deterioration of conditions in the country, and it will be difficult to expect stability.

A third possibility is a peaceful modification of power arrangements through a process including reforms of electoral and judiciary structures, early parliamentary elections, and subsequent presidential elections. This scenario depends on the political will of the leadership; a continued high number of people in the streets; internal tensions in the government; unity of the opposition; prevention of radicalization; and support from the U.S. and EU. This scenario would maintain relative peace in Georgia and would open the door for a normal process of political transformation.

CONCLUSIONS: Against the backdrop of the emerging US-Russia strategic dialogue, the US—together with the EU—needs to take a proactive position with regard to Georgia in two areas. First, it must send a clear and strong message that continued Russian occupation of the Georgian territories cannot be considered acceptable, and that Russian neutrality regarding Georgian political developments should be considered a precondition to larger geopolitical negotiations. Second, it must send high-level current or former officials to Georgia to mediate between the opposition and government. Peaceful resolution of the current crisis would normalize the political

process in Georgia, allowing a peaceful modification of power structures and the creation of a more representative government. A smooth transformation of these structures is in the best



(EPA)

interest of both the Georgian people and the US and Western allies. This could be an important step toward normalization of relations between Russia and Georgia, as well as between Georgians and Abkhaz, and Georgians and Ossetians. The US and Western allies need to help Georgia to use this crisis as an opportunity to emerge as a stronger democratic state based on the values of individual liberties, free markets, and diversified and balanced foreign relations.

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THE GROWTH OF COMMERCIAL EXCHANGES BETWEEN CENTRAL EUROPE AND CENTRAL ASIA

Sébastien Peyrouse

Taken as a unified economic entity, the European Union constitutes the main trading partner of the Central Asian states. In 2007, it accounted for close to 30 percent of the trade of Central Asia, or a total of US\$30 billion, compared to US\$21 billion with Russia and around US\$18 billion with China during the same year. A breakdown of these figures by state reveals the predictable dominance of Italy and Germany—followed by France, Great Britain, and the Benelux countries—but also demonstrates the rapid rise of Central Europe. Former allies of the Eastern Bloc and now EU member states, the countries of Central Europe have unexpectedly offered opportunities for economic collaboration with Central Asian states, in particular with Kazakhstan.

BACKGROUND: Poland is one of Kazakhstan's leading economic partners in Central Europe. The volume of trade between the two countries was US\$ 884 million in 2007. Warsaw opened a chamber of commerce and industry in Kazakhstan and the Polish Diaspora in Kazakhstan appears active in the development of trade and small joint ventures. Polish investment in the economy of Kazakhstan increased by US\$15 million in 2007. Regional cooperation agreements were signed between the region of Almaty and the Mazovia, one of the most dynamic areas of Poland, focusing especially on the construction sector, chemical industry, and agriculture in Kazakhstan.

While trade between Kazakhstan and Romania amounted to only US\$103 million in 1999, it has increased significantly during this decade, due in large part to oil exports from Kazakhstan. In 2006, trade reached US\$ 1.6 billion, but then fell by half to US\$757 million in 2007. In 2008, total Romanian investment in the Kazakh economy stood at US\$398 million, while Kazakh investment in the Romanian economy was just

US\$15 million. In 2006, discussions began on cooperation between the ports of Aktau and Constanta. In 2007, a Kazakh chamber of commerce and industry opened in Bucharest, primarily for cooperation in the energy, coal, and cars industries. Although in a more limited capacity, Hungary has also expressed interest in the Kazakh market. Trade between the two states increased by at least a factor of six between 2003 and 2007, reaching US\$350 million in 2007. An intergovernmental commission has operated since 1995 and in Shymkent, a Hungarian trade representative opened in 2001. Thousands of Hungarians work on Caspian oil sites in Kazakhstan.

The Czech Republic is no exception. Again, trade sharply increased from US\$173 million in 2004 to US\$336 million in 2007. In 2008, both states agreed to create a joint chamber of commerce and industry. Prague also has a well-established presence in Uzbekistan, where 37 companies operate with Czech capital. In 2006 and 2007, Prague indicated its interest in the Uzbek gas, chemical, glass, textile, and water industries. The two countries have cooperated

in the mechanical engineering sector, as some of the trolley buses and trams in Uzbekistan were manufactured in the Czech Republic. Like other countries of the former Eastern bloc, the Czech Republic purchases much of its cotton from Tashkent. In 2006, cotton fiber accounted for two-thirds of the Czech imports from Uzbekistan. However, this figure will likely decline as the Czech textile industry weakens and as Uzbekistan seeks to process its own cotton.

IMPLICATIONS: The commercial items traded are varied. Although Kazakhstan's main exports are petroleum derived, Central European chemical products like cleaners and mechanical equipment, especially that related to transport, also constitute a significant portion of trade. In this sector, links between former socialist countries draw out the compatibility of industries. Central Europe is active in the furniture industry, mostly wood, and the shoe industry. Here it offers better value compared to Western European brands, which are too expensive and seen as high-end luxury products, while Central European products are aimed at Central Asian middle class consumers. Finally, collaborations in pharmaceuticals and agribusiness also seem poised to grow. Again, the economies of Central Europe can play an intermediary role. The price of their products better reflects the standard of living of Central Asian populations, who consider the Central European products to be more reliable than those from Asia. Chinese goods in particular are perceived to be of poor quality.

All of the countries in Central Europe and the Balkans see Central Asia as a future source of energy imports that could reduce their often-total dependence on Russian supplies. Although small compared to Western giants, their national oil companies seek their respective

places in the Kazakh market. At the forefront of Central European energy activism is the Romanian company Petrom, the main operator for oil extraction and the sale of petroleum products in the Romanian market. It hopes to establish a cycle of petroleum exploration, extraction, and processing in Kazakhstan and to promote the geographical situation of Romania as a crossroads of export routes. Petrom is currently working on six sites in the regions of Kzyl-Orda and Mangystau, which have reserves amounting to more than 16 million tons of oil and 7 bcm of natural gas. In August 2007, KazMunaiGas purchased for the sum of 2,7 billion dollars a 75 percent stake in Rompetrol, which seeks to spread throughout the Balkans. With this purchase, which the European Commission approved, Kazakhstan is taking its first investment steps into Europe. Rompetrol has nearly 700 service stations in seven European countries, but KazMunaiGas is primarily interested in Rompetrol's Petromedia plant on the banks of the Black Sea. This site would allow KazMunaiGas to double its refining capacity. Astana's strategy is to gradually establish an economic justification for engagement with the West via the BTC, the Odessa-Brody and Constanza-Trieste pipelines.

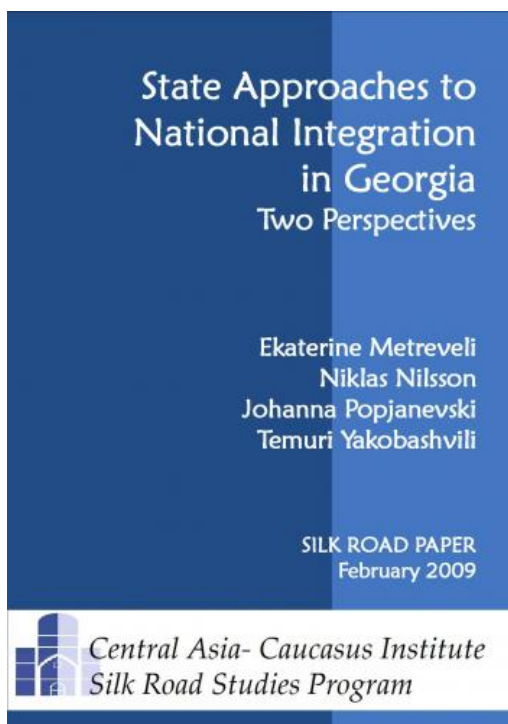
Other Central European states have established themselves in this sector in Kazakhstan, although on a small scale. The Polish company PetroInvest purchased a 50 percent stake in Embaiuneft, in return for which Kazakhstan has received 40 percent of the PetroInvest parent company, effectively making this a joint venture between Kazakhstan and Poland. The Hungarian energy company MOL also wants to expand its cooperation with KazMunaiGas. It is already involved in extraction at the Fedorov site in western Kazakhstan, where it controls 27.5 percent of the shares. The Croatian

petrochemical consortium Kemokomplex, once belonging to Enver Moralic but now owned by Germany, also seeks to take part in the development of the petrochemical industry in Kazakhstan. Its subsidiary Aray Petroleum participated in the 2005 Ministry of Energy and Mineral Resources of Kazakhstan tender for exploration and extraction in the eastern section of Akjar, in the Aktiubinsk region.

CONCLUSIONS: Although the figures for Central Europe-Central Asia trade are obviously modest compared to economic giants like Russia and China, or major European powers like Germany, it is apparent that a bilateral commercial niche is forming. Central European producers can meet the consumption needs of populations and industries in Central Asia. The increase in trade with middle and even small powers can also weaken traditional geopolitical pressures related to commerce.

Central Europe-Central Asia economic relations are not subject to "Great Games" between powers. They also offer Central Asian states the long-awaited opportunity to diversify their partners and thus increase their autonomy.

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New Silk Road Paper:

State Approaches to National Integration in Georgia: Two Perspectives

By Ekaterine Metreveli, Niklas Nilsson, Johanna Popjanevski, and Temuri Yakobashvili

This Silk Road Paper examines Georgian national integration policies, with a view to identify key prospects and problems in Georgia's efforts to become a unitary state.

The Silk Road Paper can be downloaded free at www.silkroadstudies.org. Hardcopy requests should be addressed to

CHINA'S 'PEACEFUL RISE' IN CENTRAL ASIA

Stephen Blank

The global financial crisis has not left China unscathed, but its recent actions in and around Central Asia show that it has the means to turn the crisis to its advantage. Thus China's "peaceful rise" is giving it hitherto undreamt of opportunities to secure strong commercial and economic linkages to Central Asian states and energy holdings. Neither is this program of action confined to Central Asia. Indeed, we see it in regard to Russia, Latin America, and Africa as well. Thus China's actions bear all the earmarks of a strategic plan of action that is now being implemented globally as the opportunity for China to use its economic power to secure unchallengeable positions in Eurasia presents itself.

BACKGROUND: Essentially China is taking advantage of its enormous cash reserves and still growing market that is a magnet for exporters to secure key positions in key economic areas. China is basically buying up major energy assets in distressed countries at knock-down prices for long-term contracts and secures for itself not just energy flows but key strategic advantages for years to come.

Furthermore, China has so much cash it can buy up distressed properties abroad or lend to states or state entities who are undergoing equal distress. For example, it has just been announced that China is lending Kazakhstan US\$10 billion. More specifically, China National Petroleum Company (CNPC) is buying a minority holding in Kazakhstan's company AO Mangistaumunaigas from state-run KazMunaiGaz National Co. Meanwhile, China's total oil imports hit a one year high in March 2009, indicating continuing strong demand. This deal enables Kazakhstan to continue its robust pace of exploration for oil, having received an estimated investment of US\$21.1 billion in 2008 for exploration and production and it needs to keep that up during this crisis to prevent an economic contraction. Thus its need plays into China's strategy.

This strategy is clear. Although most of its energy imports still come from the Middle East, Beijing is rapidly seeking to diversify its suppliers on a global basis: Venezuela, other Latin American countries, Africa, and Russia, as well as Central Asia. China, like all major consumers, fears excessive dependence upon any one supplier and hence seeks to diversify suppliers. Second, it has well-known strategic anxieties that the Strait of Malacca or other Indian Ocean waters may be closed to it during a time of crisis. Therefore, for geostrategic reasons, it also seeks to avoid excessive dependence upon Middle Eastern and African producers, seeking producers as far afield as Iran who can then ship gas and oil to it overland through new pipelines that China is helping to build in Kazakhstan, Turkmenistan, and Uzbekistan and which could ultimately connect to Iran. Beyond that, China is tying loans to energy because it not only gets the loans plus interest back: it can now tie up energy assets in long-term contracts at reduced prices for exclusive access.

IMPLICATIONS: This is neither taking place only with regard to Kazakhstan, nor only with regard to oil and gas. Apart from lending Kazakhstan money, China is also building power plants in Tajikistan and Kyrgyzstan and pipelines in Turkmenistan that will then go on

to Uzbekistan so that it can buy gas from these countries. Kyrgyz officials want China to import electricity from the Kambarata power station that Russia is building, to prevent surplus capacity and under-production. Buying hydropower makes sense for China, which has increasingly been pledging infrastructure assistance and cash to Central Asian states through the Shanghai Cooperation Organization, e.g. helping Tajikistan build dams and roads. Moreover, China can become a handler or middleman, e.g. wiring Central Asia into Pakistan and Afghanistan and picking up huge transit and construction fees, as suggested by Sebastien Peyrouse.

However, in energy the key targets are in Eurasia. CNPC, in its own words, has been making acquisitions non-stop. And other Chinese companies are equally active: PetroChina, which holds CNPC's non-politically sensitive assets, is soon going to start building a pipeline from its terminal in Daqing to the Russian border that will link up with the pipeline Transneft is building to ship Rosneft's

oil to China. The pipeline will cost China 10 billion Yuan (US\$). That pipeline from Daqing represents China's contribution to the Russo-Chinese oil project announced in February. In this deal China loaned Rosneft and Transneft, two immensely leveraged firms, US\$25 billion to commit them to build the pipeline from Angara to Skovorodino in Eastern Siberia from whence the oil will then go to Daqing. Starting in 2011, China will receive an annual total of 15 million tons from Russia which is now tied, against its preference, to a single consumer at the end of its pipeline, a situation that it has successfully blocked everywhere else. Beyond this, China will now have ample opportunity to gain equity assets not only in Kazakh firms but also in Russian firms and influence state policy directly in these petro-states. Worse yet from Moscow's viewpoint, it is actually selling the oil to China, when all the costs, including the loans and interests are calculated, at a price that is estimated as being between US\$11.40 to US\$ 22 a barrel. In other words, China is getting oil at



(AP)

rock-bottom prices, even below the US\$ 52 per barrel that is today's price. Moscow and Astana must accept not only Chinese equity positions in their energy firms, Russia also has to settle for outcomes that it has been able to reject everywhere else and get less for its products than the market is now charging.

CNPC's program is not going to stop. It recently announced its intention to invest up to US\$44 Billion in oil and gas projects in 2009, especially in core projects like the ongoing Kazakhstan-China oil pipeline that will send China 20 billion tons of oil a year starting in 2011. We can expect that other projects in Central Asia, e.g. the gas pipeline from Turkmenistan, will also be moved further to completion and that Chinese firms and the government will be looking to acquire other distressed energy firms at cut-rate prices to gain global and regional leverage among suppliers and governments.

CONCLUSIONS: These cases, along with Chinese actions beyond Eurasia, exemplify China's so called "peaceful rise". There is no force or threat to this unless one wants to count the pressures of the market as force. Companies and governments who cannot meet their debts or are short of cash will generally look for lenders who offer the most favorable terms. And in the current climate China, sitting atop enormous cash reserves, is more than willing to offer such terms in return for exclusive access to the product, below-market prices, and opportunities for further equity access in those firms and countries. In this way, these borrowers get their cash but they also suffer, as

debtors habitually do, from a loss of freedom of action. To a considerably greater degree than before, they are tied to China's economic chariot and to its economic and political preferences. In this context, it is hardly a surprise that for years Russian leaders have been publicly warning that if Russia did not get its house in order, China would gain a commanding economic position in Russian Asia, or warning against the rise of China as exporter, importer, and now lender in Central Asia.

Neither is it surprising that China sees in this crisis an opportunity (as the Chinese characters for crisis suggest). In the last major economic crisis a decade ago, China acted not just to secure Southeast Asian stability but also benefited immensely from the perception of its role and from the emergence of its economic power as the anchor of Asian stability and one of the anchors of global stability as is now the case. Much has been written about China's economic policies in Asia and its global energy policies that have been devised to ensure its maximum energy security. But now we may begin to see the fruition of those policies in Central Asia and elsewhere. While many will undoubtedly benefit, somebody will lose and the results from that perspective will not be pretty.

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SCARY STATISTICS: THE STATE OF SCHOOLS IN KYRGYZSTAN

Anvar Rahmetov

Kyrgyz school education is in a catastrophic situation. The reading skills of 74 percent of fifteen-year old Kyrgyzstanis are below basic (“pass”) level. Math and sciences results are even worse – failing students constitute 84 percent and 82 percent respectively. Such were the shocking findings of an independent national survey administered in 2008. Earlier in 2006, Kyrgyzstan recorded the lowest score among the 57 countries that participated in the Program for International Student Assessment (PISA). With the Kyrgyz data for PISA-2009 just being processed, nothing can be stated confidently. However, the virtual inaction of responsible state bodies throughout the year hint that the situation is virtually unchanged.

BACKGROUND: Numerous factors contributed to the Kyrgyz fiasco, with most attention paid to system-wide ones. The foremost reason for failure is, of course, inadequate financing. A financially incapable, corruption-ridden Kyrgyz state cannot sustain its educational system.

One dimension of under-financing is low salaries. To quote a teacher at the outskirts of the capital Bishkek, “If I were paid 100 dollars a month, teaching would be my dream job and education attainments of my students would be far better.” Low wages force teachers to increase their workload, teaching 36 classes a week instead of the standard 18. Small salaries also scare away the youth and cause a cadre deficit in schools – almost half the schools need at least 1-2 teachers, while a fifth needs from 5 to 10 teachers.

Financial stringency has also depleted schools’ resource base. As was discovered by the said surveys, libraries in 17 percent of the schools have nothing besides textbooks and newspapers. Even with textbooks, schoolmasters report, their schools are equipped to 71 percent of their needs. On average, three students have to share a single textbook. The

present textbooks are widely reported to include those published in the Soviet Union, Uzbekistan, and Russia at different times and are said to contradict each other frequently. The situation with illustrations for science classes, scientific equipment and models is even worse. A predominant majority of schools simply does not have them. IT statistics are also depressing: the student-computer ratio at Kyrgyz schools is 77 to 1 (and was 212:1 in 2005) and only 1,5 percent of the schools have an Internet connection. Nevertheless, monetary injections in themselves are not a panacea. The fact that richer states like Qatar and Azerbaijan fare only slightly better suggests that money might be a necessary, but not sufficient element in successful education.

Another factor is corruption in the educational sphere. Corruption impedes effective use of state resources and donor aid. For instance, NTS, a local TV channel, recently featured a story of schoolmasters misusing donor money in infrastructure renovation projects. Petty corruption includes both school corruption with children or their parents bribing teachers in exchange for good grades, as well as corruption in college admissions which de-motivate

vigorous knowledge acquisition, since high school students know they can buy their way into college.

A third factor that contributed to the eventual failure of a once-progressive educational system is the lack of strategic vision and the absence of a single strategy for education reform. After the break-up of the USSR, the Soviet school system could not be sustained, nor was it relevant to contemporary social and economic needs. The consequent reform attempts have been piecemeal, inconsistent and half-hearted. Moreover, programmatic papers drafted by education specialists were often left unimplemented. Frequent ministerial reshuffles also contributed: with an average education minister in office for slightly more than a year, consistency talk is totally irrelevant.

IMPLICATIONS: Initially, the publication of these results caused a wide resonance within the mass media, civil society and decision-makers. The State Security Council was to be summoned, numerous roundtables were held, but regrettably, to no use.

The consequences are shocking and far-reaching indeed. To put it in the words of a local education expert, “If no decisive action is taken today, the country of Kyrgyzstan might as well be ‘closed’ in a couple of years.” Math and science results put temporarily aside, the fact that 73 percent of high school students’ reading skills are below the basic level indicates that overall literacy levels in post-Soviet Kyrgyzstan are in sharp decline.

One implication of this is that a well educated and critically thinking public, a supporting pillar for democratic change and a resource previously associated with Kyrgyzstan’s 98 percent literate population, is now an illusion. Kyrgyzstan is slipping down the illiteracy slope

and will, in half a generation; end up with literacy rates of typical developing countries.

Occasional observations suggest that the inability to read and comprehend effectively is in part caused by the fact that pupils in different regions of Kyrgyzstan speak and are taught in dialects that slightly differ from literary Kyrgyz and Uzbek. This might in turn put the Kyrgyz nation-building efforts at risk. A standardized language being a foundation of any nation-building project, if Kyrgyz at various localities speak dialects and hardly comprehend “high” (“literary”) Kyrgyz, sooner or later this might endanger the very nationhood of the Kyrgyz. This danger is especially potent combined with currently exacerbated regional and clan divisions in society.



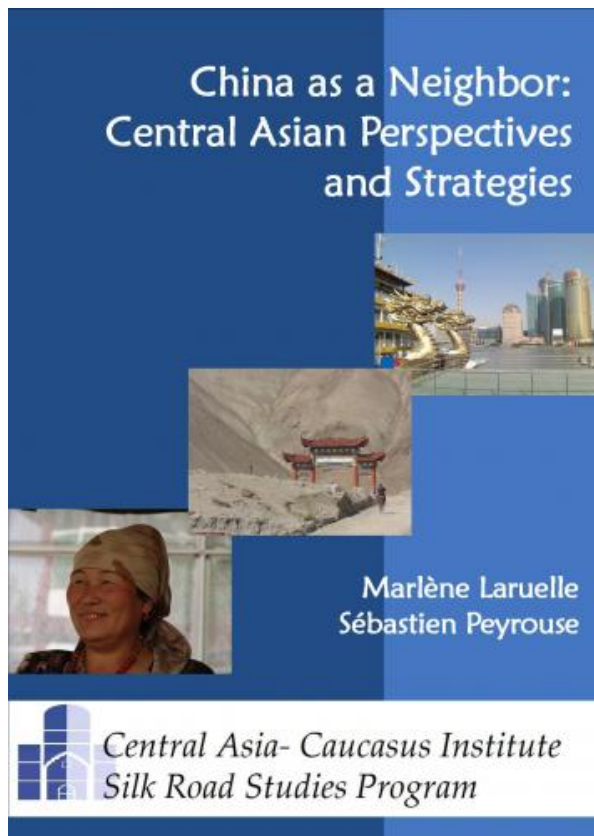
Aside from reading comprehension, Kyrgyz pupils have a dismal math and science record. Combined with the fact that college admission rates have not fallen due to bad school education, this means that these pupils will eventually end up in technical and medical schools and later govern the Kyrgyz economy and the country’s finances, direct its construction works and lead its technical and scientific innovation efforts. Such specialists

would then be a liability, rather than an asset, to the fragile Kyrgyz economy, bringing down its once-praised human capital to the already low other levels of other types of capital.

CONCLUSIONS: A sadly ironical statement by a journalist diagnosed Kyrgyz school education as “rather dead than sick.” What the system needs now is reanimation, a shock therapy of financial injections, strict oversight to make sure that such injections are not misused, a coherent strategy of treatment as

well as better communication and cooperation with other systems that need and provide the school system, from pre-school kindergartens to big employers and higher education establishments.

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FIELD REPORTS

IS THERE ANY FUTURE FOR UZBEKISTAN IN THE CSTO?

Erkin Akhmadov

On 16-17 April 2009, the Council of Ministers of Foreign Affairs of the Collective Security Treaty Organization (CSTO) held a session in Yerevan, Armenia. While Uzbekistan is a member of the regional military-political bloc along with Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan, it declined the invitation to the meeting. The republic's foreign policy agency stated that there is no rationale for the participation of Uzbekistan's representatives in the course of the session. The "explanation" obviously explained very little, but spurred an ardent debate on the future of Uzbekistan's membership in the CSTO and its possible intention to leave the organization.

The session's agenda included a discussion of foreign policy cooperation among the CSTO member states and common problems of international security. The parties planned to approve a memorandum on cooperation between the secretariats of the CSTO and the UN to discuss joint activities of the CSTO member states "on assisting in stabilizing the situation in Afghanistan and counteracting the spread of drugs coming from the state's territory". As the Russian Ministry of Foreign Affairs also reported, the issue of interim results for arranging Collective Rapid Response Forces would also be discussed at the session. Thus, the range of planned topics for discussion should not have been controversial to any of the CSTO member states.

It was in light of these considerations that Uzbekistan's refusal to attend the session was viewed as a possible step towards suspending its membership in yet another Russia-led organization. It should be recalled that in November 2008,

Uzbekistan suspended its membership in EurasEC, similarly motivated by a lack of rationale. Some flavor to this was added by a skeptical statement made in the beginning of April by Uzbekistan's ambassador to Russia, Ilhom Ne'matov, claiming that lately a lot of sessions and conferences are held by the member states of the EurasEC, CSTO, CIS and SCO "in which all the same persons take part and agendas are duplicated". Thus, he articulated that Uzbekistan is not content with the performance of these organizations. In addition he mentioned that there is still a "water issue" between Uzbekistan and Russia.

In light of the latter statement, many local political analysts took Uzbekistan's demarche from the CSTO session as a straightforward statement that Tashkent looks "Westward" concerning certain issues of security. Thus, for instance, the senior staff assistant of the East Asian Countries Research Centre noted that Uzbekistan refused to take part in several regional initiatives that touched upon the issue of Afghanistan. Thus, for instance, Uzbekistan did not send representatives either to the SCO conference on Afghanistan earlier in March, nor to the UN-backed conference on Afghanistan in The Hague on March 31. Meanwhile, there is information that preparations for transporting American non-military goods to Afghanistan has begun on Uzbekistan's territory. These facts provide quite a solid ground for all kinds of speculations.

Nonetheless, if the choices are compared, leaving the CSTO does not seem to be the best option for Uzbekistan. Currently, it is among the three post-Soviet states that make the most significant

expenditures on defense. In 2009, Uzbekistan plans to spend about US\$1.2 billion, amounting to 3.4 percent of its GDP. One of the advantages of CSTO membership is that the member states may purchase Russian armaments and military equipment at reduced prices. Thus, leaving the organization would bring Uzbekistan certain losses, while it is unclear yet if such a move would bring any gains.

Upon completion of the session, the Secretary General of the CSTO, Nikolay Bordyuzha, was fast to deny the rumors about Uzbekistan's intention to leave the organization. He noted that Uzbekistan reacts to all the normative documents worked out by the organization and, in fact, is highly interested in activities conducted by the CSTO. And eventually one of the CSTO representatives provided an exhaustive explanation for Uzbekistan's decision as mainly being based on

procedural considerations: Uzbekistan proposed to have another meeting of the Council of Ministers of Foreign Affairs in June, and therefore it viewed it as unnecessary to hold two such important events within such a short period of time.

Interestingly enough, Kazakhstan did not attend the session either. However, there was not even a sign of doubt concerning its status in the CSTO or any speculations on Kazakhstan's intentions to suspend its membership. Thus, the facts and speculations presented lead to a few conclusions: either it is indeed the changing nature of Uzbekistan's foreign policy maneuvers that constantly keeps Russia and other CIS counterparts worried about the reliability and stability of Uzbekistan's adherence, or there is indeed some ground for the assertion that the reasons for Uzbekistan to remain in the CSTO are insufficient.

IRAN AND ARMENIA TIGHTEN POLITICAL AND ECONOMIC TIES

Haroutiun Khachatryan

The first official visit of the Armenian President Serzh Sargsyan to Iran on April 13-14 has resulted in the establishment of closer political and economic relations between the two countries. The Armenian leader, accompanied by a large delegation of ministers, parliament members and other officials, had meetings with top Iranian leaders, including his Iranian counterpart Mahmoud Ahmadinejad, Iran's Supreme Leader Ayatollah Ali Khamenei, Parliament Speaker Ali Larijani and Secretary of the Supreme National Security Council Saeed Jalili. The friendly relations between the two countries were emphasized many times, and, as judged by the coverage of the visit and its results in the Iranian media, Tehran sees Armenia as a friendly partner. A wide range of issues was reportedly discussed during the talks, and the positions of the sides were seemingly free of serious disaccords, including on

the issues of Nagorno Karabakh and Armenia-Turkey relations.

The main outcomes of the meeting were in the economic sphere. The representatives of the two countries signed eight joint memoranda of understanding concerning different aspects of their economic cooperation negotiated earlier. The joint energy projects were the most advanced issues. They include the construction of a hydropower station on the Araxes border river, the construction of a third high-voltage power line (400 kilovolt) for supplying Iran with electricity from Armenia, and the construction of a pipeline for supplying Armenia with Iranian oil products. Another document envisages performing joint work on establishing a free trade regime, the preparatory work of which will take at least one year. If implemented, this regime will greatly benefit

Armenian exporters, as Iran's significant trade barriers will be reduced or eliminated for Armenian goods.

The project Armenia is most interested in is the railroad connecting the two countries. This line would provide Armenia with access to Iran, the Gulf region and East Asia, and would break Armenia's reliance on the Georgian railroad network for its external communications, which, as shown by the war in August 2008, is not always safe. By signing the respective memoranda, Iran expressed its commitment to participate in the construction of this 447 km rail link (which will bypass the existing railway connecting the two countries, now blocked as it goes through the Nakhichevan exclave of Azerbaijan), as it would provide Iran with reliable access to the Black Sea region. The future of this project is less clear, however, since a study still needs to be performed on its feasibility, for which funding is expected through a US\$ 1 million grant from the Asian Development Bank later this year. This railway project is nevertheless unlikely to commence before

2010, and its implementation will require five years and funding amounting to at least US\$ 1,5 billion, implying a need for securing other investors to realize the project.

According to a separate memorandum, the Iranian Exports Development Bank will provide a US\$400 million credit line to Armenia for these projects, and work on their implementation (the railroad exempted) may start this year. Iran is expected to invest a total of US\$1 billion in Armenia in the several years to come, and Armenia will redeem these loans with supplies of electricity. Armenia's interest in launching these projects is especially high as the government sees them, among other, as an important component of its anti-crisis strategy, aimed at creating new jobs and enhancing infrastructure. Iran has also expressed its commitment to the realization of another infrastructural project, namely, the motorway connecting the city of Meghri at the Iran-Armenian border with the Georgian Black Sea port of Batumi, a project that has already gained the support of the Asian Development Bank.

RUSSIAN TV CLAIMS MANAS BASE IS USED FOR GLOBAL SPYING

Erica Marat

Following a short lull after president Barack Obama's inauguration in January, Moscow-controlled mass media outlets renewed their overconfident and detracting reports about the United States. In the first few days after Obama's official inauguration, most Russian media outlets were trying to formulate their opinion about the new American leader. The short hesitation was followed by renewed anti-U.S. propaganda by mass media inside Russia and in the neighboring countries.

A recent report by the Russian National TV channel argued that Washington uses its military base at the Manas airport in Kyrgyzstan for at least

two selfish interests – to colonize the country and to install special spying equipment to monitor information flows on a local, regional, and even global scale. The Kyrgyz are compared with Native Americans in North America to prove the colonization argument.

For the second viewpoint, the reporter interviewed Kyrgyz experts with strong pro-Kremlin attitudes. Among them Leonid Bodarets, formerly an analyst the Strategic Studies Institute under the President, confirmed the reporters' allegations that the U.S. is secretly spying on the Kyrgyz government. The expert insisted that the U.S. base is trying to "penetrate the country" by collecting information

about local developments. The information is further used to impact the decision-making of political elites and turn them against Russia and China, Bodarets concluded.

The report further condemns local NGOs for collaborating with U.S. organizations such as the International Republican Institute, the International Democratic Institute, Freedom House and the Soros Foundation. "This web has covered the entire country and is acting in the interests of the United States", argues the reporter. Another Kyrgyz analyst with prominent pro-Moscow views, Aleksandr Knyazev, claimed U.S. government aid structures are challenging the sovereignty of Kyrgyzstan.

The TV report is one of the prominent examples of the attempts of Russian mass media to influence public opinion in Kyrgyzstan and the Central Asian region. The report was featured shortly after the Kyrgyz President Kurmanbek Bakiyev announced his decision to expel the U.S. base. Russian authorities deny allegations that the Kremlin influenced Bakiyev's decision. But the fact that the president announced it in Moscow indicates that he was indeed pressured by the Russian regime.

The deep penetration of Russian media in Kyrgyzstan seems to fulfill its goal. According to Internet polls, Russia is regarded as the primary strategic partner, while the United States is seen as the aggressor. Although most polls were conducted during the Bush era, the current public attitude towards the U.S. has improved only slightly. Public opinion about the U.S. base was damaged significantly after a U.S. serviceman shot dead a Kyrgyz truck driver. While the U.S. embassy in Bishkek took a rather passive stance in countering the spread of negative and biased reporting of the

incident by Russian-language media, rumors about the incident spread rapidly.

Most Russian mass media outlets have a wide reach among the Central Asian urban population. The Russian media is a dynamic source of news reports as well as entertainment programs. The local alternatives in the media market are hardly able to compete with Moscow's reports. In Kyrgyzstan, most TV and radio stations, as well as newspapers, reprint the bulk of reports published by Russian sources.

With the change of the U.S. president, Moscow's reports about the United States altered only slightly, finding new ways of ridiculing the perceived Western adversary. Instead of mocking George W. Bush's gaffes, popular media outlets are now picking on the U.S. first lady's new garden in the White House.

In effect, Russian mass media outlets are consistent in reporting negative news about the United States, be that about the president's decisions or a household in America's suburbia, while portraying its own regime as most progressive. In the TV report demonizing the Manas airbase, Russian journalists omitted any comparisons with the Russian airbase located in Kyrgyzstan since 2004.

Indeed, as one expert on the Russian radio station Echo of Moscow commented, "anti-U.S. sentiments serve a very important role in Russian statehood – they consolidate the people and legitimize the regime's authoritarianism". By blaming the United States for the world's misfortunes, the Kremlin is able to get away with its own inefficient policies. Without this function, the expert concludes, the Russian government would need to take the blame itself.

A FAILED ATTEMPT TO RECOVER COTTON PRODUCTION IN TAJIKISTAN

Suhrob Majidov

The last day for Tajik banks to disburse the credits received from the Government last year to finance the cotton farms in Tajikistan was 1 April 2009. When the deadline of repayment was reached, the largest Tajik banks requested that their debts be restructured or, at least, to extend the repayment term until the end of the year. The two largest banks in Tajikistan – Agroinvestbank and Orienbank – which provided the largest amount of credits to cotton farms, announced that they are facing serious difficulties in credit repayments due to an inability to extract funds from the cotton farms. Experts say that the main problem of the Tajik banking system now is the ‘inadequate credit repayment’ by the growing cotton sector due to the low cotton prices caused by the financial crisis and last year’s low cotton yield.

Cotton is still the main crop and the second main export and source of income in Tajikistan after aluminum. Furthermore, according to official statistics, almost half of the labor force, 495,500 out of 991,800, are employed in agriculture. Every year, the Government decides to allocate most of the irrigable lands for cotton production, neglecting every year’s problems of low yields and the huge debts of cotton farms estimated to be more than US\$500 million.

In an attempt to solve the problem, the Government decided to change the system of crediting for cotton farms. The loans in the new system are provided to cotton farms directly by banks instead of futures companies. For the last ten years, futures companies were providing cotton farms with seeds, fertilizers, fuel and lubricants at high prices in exchange for the

potential cotton yield.

This system resulted in huge debts of farmers to these companies. In 2008 and as a part of the new system, the Government provided a credit of 140 million somoni to six commercial banks with an interest rate of 12-18 percent. In turn, the banks provided those credits to cotton farms along with a credit of 68 million somoni from the banks’ assets.

The new system, however, has not proven effective, as the banks are not able



(ITAR-TASS)

to repay the credits received from the Government. According to the data provided by the National Bank, only 33 percent of the received credits were repaid as of the beginning of April. As farmers cannot repay credits to the banks, neither can the banks repay the Government. Cotton farms blamed the financial crisis for causing a decrease in cotton prices and unprecedented low cotton yield last year. In 2008, Tajik farms produced about 355,000 tons of raw cotton which is the lowest yield since 1991, when Tajikistan gained independence.

Experts claim that the new system cannot succeed because what the cotton sector needs is a significant structural reform, particularly a liberalization of agriculture. "Still farmers are not free. They have no right to decide whether to grow cotton or another crop. We still have 'plans' on cotton production that remained from Soviet times," says Bakhriddin Karimov, an economist. He claims that even if last year's entire yield would have been sold; this would not have been enough to repay even half the credits received from the banks.

After the banks' announcement concerning the 'cotton crediting' problems, which might threaten their liquidity and stability, the Ministry of Finance requested the Government to extend the deadline of repayment. On 14 April 2009, the President of Tajikistan, Emomali Rahmon, approved the Ministry's request. As pointed out by the Minister of Finance, Safarali Najmiddinov, the President decided to support the agricultural sector taking into account the consequences of the financial crisis. As

a result, the repayment terms are extended for six months and the interest rates are reduced to 10%. Nevertheless, some experts say this would not solve the banks' problem but only postpone them. "It is more important to help the farmers to solve their debt problems. Deferment of payment will not help banks, but only worsen their situation", claims Davron Kurbonaliev, an expert in economics.

This year, the Government decided to continue the system of crediting cotton farms directly through commercial banks despite last year's failure. As the Ministry of Finance reports this year, the banks will, again, receive 180 million somoni for crediting cotton farms. Furthermore, during the meeting with the heads of the banks, Emomali Rahmon recommended commercial banks "to increase credits for cotton production and to reduce the interest rate of the credits for cotton farms." Therefore, the only difference that was introduced in this year's plan is that banks will receive credits for the cotton sector at a "lower and reasonable interest rate".

In sum, the system of crediting cotton farms through commercial banks failed due to the inability of farmers to repay credits to the banks. The system seems to be incapable of solving continuous problems in the cotton sector, especially the fast-growing debts of farmers. Moreover, the system has threatened the stability of the whole banking system in Tajikistan. Experts put the system itself in question, asking whether the banks, as commercial entities, should credit an unprofitable sector, with the result of risking their own stability.

NEWS DIGEST

TAJIK PARLIAMENT APPROVES CONTROVERSIAL RESTITUTION TREATY 10 April

The Tajik parliament's lower house has approved the CIS Treaty on Restitution, RFE/RL's Tajik Service reports. Deputy Culture Minister Mirali Dostiev told the parliament that ratification of the treaty would help bring back home all the artwork and historic valuables lost and stolen during the 1992-97 civil war in Tajikistan. However, Abduvali Sharifov, the head of the Tajik National Museum, says that the ratification of the treaty is not enough. According to him, a list of the lost and stolen historic valuables should be created. Sharifov says that Tajikistan's attempts to have the ancient art masterpiece known as the Treasure of Amu-Dariya repatriated from the British Museum were fruitless in the past, in part because Tajik authorities failed to prove property rights to the British Museum. Another example, Sharifov says, is the fact that a huge number of historic documents, valuable artwork, and other ancient materials from Central Asia are still held in Russia's Hermitage Museum in St. Petersburg and there is no way to return them to the now independent states. (RFE/RL)

TURKISH-ARMENIAN BORDERS CAN BE OPENED ONLY IN THE CONTEXT OF SETTLEMENT OF KARABAKH CONFLICT, AZERI DEPUTY FM

10 April

The Turkish-Armenian borders can be re-opened only in the context of resolution of the Nagorno-Karabakh conflict, Azerbaijani Deputy Foreign Minister Araz Azimov told journalists. "Opening of the borders out of this context does not correspond to Azerbaijan's interests. We have declared our position to the Turkish government," Azimov said. The Deputy FM noted every country has its own sovereign rights and policy. "Azerbaijan does not interfere with internal affairs of other countries. At the same time, nobody can deny Turkey's connection with this region. However, everybody is aware of the strong strategic ties between Turkey

and Azerbaijan," he stressed. "Taking into consideration that the border closure decision was caused by the occupation of Azerbaijan's lands, this decision can be abolished only after our territories are liberated" Azimov said official Baku "also takes into consideration statements by the Turkish President Abdullah Gul and Premier Recep Tayyip Erdogan who declared that the borders with Armenia will not be opened until the conflict finds its solution". "Azerbaijan will never be alone as all processes and regional projects originate here. Dependent on Azerbaijan's wish regional development processes can be both accelerated and change its direction," the deputy minister said. Different circles in Turkey claim Turkey-Armenia borders will be re-opened. Turkish President Abdullah Gul visited Yerevan on Sept. 6, 2008 upon the invitation of his Armenian counterpart Serzh Sargsyan to watch an Armenia-Turkey football match.

Efforts have been made to normalize ties between the two countries ever since. The conflict between the two South Caucasus countries began in 1988 when Armenia made territorial claims against Azerbaijan. The Armenian armed forces occupied 20 percent of Azerbaijan's territories, including the Nagorno-Karabakh region and 7 surrounding districts. Azerbaijan and Armenia signed a ceasefire agreement in 1994. The co-chairs of the OSCE Minsk Group - Russia, France, and the U.S. - are currently holding peace negotiations. (AzerTAc).

AFGHAN VILLAGERS SAY AIR STRIKE KILLED CIVILIANS

12 April

Afghan authorities were checking reports on April 13 of civilian casualties from an overnight air strike by U.S.-led forces, after villagers in a remote region said five people had been killed. Civilian deaths caused by foreign troops while hunting the Taliban have sapped support for the presence of Western forces in Afghanistan and become a major cause of friction between the government and its Western backers.

"We were having dinner when the attack happened. Five civilians were killed, children among them," village resident Ezatuallah, who uses one name, told Reuters by telephone from Wata Pur, a rugged district in eastern Kunar Province near the Pakistan border. He said ten people were wounded. Zalmai Yousufzai, the district chief, said he was aware of the strike but had no information about casualties. A spokesman for the U.S. military in Kabul said he had no information about the strike but would check. Last week five civilians, including an infant, were killed in a U.S.-led operation in southeastern Khost Province. U.S. forces acknowledged those deaths and apologized. The number of civilians killed in operations by foreign forces while hunting Taliban-led insurgents in Afghanistan has steadily climbed, reaching hundreds last year, according to human right groups and the government. U.S. and NATO commanders say insurgents are still responsible for most civilian deaths, but they have acknowledged that civilian deaths have cost the Western troops support. Violence has surged in recent years with the Taliban having managed to extend the size and scope of their attacks. This comes despite the growing number of foreign forces, now standing at more than 70,000. Some 21,000 more U.S. troops and more than 5,000 soldiers from other NATO countries are on their way. U.S.-led troops overthrew the Taliban after its leadership refused to hand over Al-Qaeda leaders wanted by Washington for the September 11, 2001, attacks against the United States. Separately, two Afghan security guards working for a construction firm were killed in a roadside bomb attack in the eastern province of Khost on April 13, a provincial official said. (Reuters)

SAAKASHVILI: RUSSIAN OLIGARCHS FUND GEORGIA OPPOSITION

12 April

In an interview with Newsweek published on April 11, President Saakashvili speaks of sources of opposition funding, about his U.S. friends, his stance of U.S. under Bush and Obama administrations, as well as about being disappointed with the West putting relationships with Georgia on hold while waiting for the outcome of the street protest rallies. Asked who sponsors the Georgian opposition, Saakashvili responded: "Most of the money—millions of dollars—comes from Russian oligarchs. I have documentary proof of that, which I am not making public yet. Whether the money is being sent from Russia under the supervision of the

Russian government, that I do not know." He said that the Russian authorities would "probably be happy to see me leave the post." Asked what he would change in his policy towards Russia if he could turn time back, Saakashvili responded that he could "hardly do anything differently." "The values we appreciate are not embraced by Russia. Should I have compromised? If I did, we would have been like Kyrgyzstan, losing our democratic values now, or as poor as Armenia, whose economy fully depends on Russia," he said. He also said that he was not hurt by the criticism in Georgia. "I am hearing it from two opposition TV channels [Maestro and Kavkasia] all day long," Saakashvili said. "I did not expect the West to put all the relationships with us on hold while waiting for this revolution. An official delegation from France decided to postpone their visit. A Turkish company moved a scheduled contract signing until after April 9, and an Arab company until April 12. What is the matter with these people? Do we stop going to Paris or Strasbourg during their street protests?" he added. (Civil Georgia)

TURKMEN PRESIDENT ORDERS INVESTIGATION INTO PIPELINE BLAST

13 April

Turkmen President Gurbanguly Berdymukhammedov has instructed his government to work with international experts to determine who is responsible for an explosion on the main natural gas pipeline between Turkmenistan and Russia last week that cut the flow of gas to Russia. The blast has increased tension between the two countries and could lead to a Ukraine-style "gas war," the Russian daily "Kommersant" reported on April 13. Platts, which provides information on global energy and commodities issues, says Gazprom had asked state energy company Turkmengas to reduce its gas deliveries to Gazprom by 90 percent, RFE/RL's Turkmen Service reports. Russian Foreign Minister Sergei Lavrov refused to comment last week on reports that Gazprom had cut the flow of gas, causing a technical problem that led to the explosion. The Turkmen Foreign Ministry said on April 8 that Gazprom without warning sharply reduced the volume of gas being taken from the Turkmen pipeline. Turkmenistan angered Russia during a visit by President Gurbanguly Berdymukhammedov to Moscow last month by refusing to sign a Trans-Turkmen pipeline deal. (RFE/RL)

CASPIAN NATIONS' WORKING GROUPS TO DISCUSS CASPIAN LEGAL STATUS IN MOSCOW

13 April

The 25th meeting of Caspian nations' working groups to define Caspian legal status will be held in Moscow on April 14-15. The working groups will discuss the text of the convention and points unagreed by the sides. Azerbaijan working group is led by Deputy Foreign Minister Khalaf Khalafov. During the Moscow visit, Khalafov will hold a number of bilateral meetings. (AzerTAc)

ARRESTS OF AFGHAN REFUGEES ON THE RISE IN PAKISTAN

15 April

Afghan refugees in Pakistan say that arrests of Afghans are increasing in the country's eastern Punjab Province. Awami National Party spokesman Zahid Khan told RFE/RL's Radio Free Afghanistan that what the "government is doing against [the ethnic] Pashtuns and Afghans deserves condemnation." Arrests have escalated since Baytullah Mehsoud, Pakistan's Taliban leader, announced that he had sent suicide bombers into the province to attack a military school in Lahore. Pakistani authorities in Lahore, Rawalpindi, and Islamabad arrested some 800 Afghans after Mehsoud claimed responsibility for the attack. Hundreds of thousands of Afghan refugees have been living in Pakistan since the 1980s, and the number is now thought to be more than 2 million. (RFE/RL)

US SEEKS TRANSIT DEAL WITH TURKMENISTAN

16 April

A senior U.S. diplomat says the United States hopes to reach an agreement with Turkmenistan on allowing the transit of non-lethal goods to neighboring Afghanistan. Assistant Secretary of State Richard Boucher says he discussed the possibility of overland cargo transit and overflights in Wednesday's talks with President Gurbanguli Berdimukhamedov. The United States has already managed to secure agreements on sending nonmilitary supplies overland through Russia, Kazakhstan and Uzbekistan. Uzbekistan also shares a border with Afghanistan. Worsening security on the Afghan border with Pakistan has forced NATO allies to seek safer transit routes. Boucher also said Thursday the new U.S. administration is placing a greater emphasis on Central Asia. (AP)

UZBEKISTAN DOES NOT PLAN TO LEAVE CSTO STRUCTURE

17 April

Uzbekistan does not plan to leave the structure of the Collective Security Treaty Organization (CSTO). The CSTO Secretary General, Nikolay Bordyuzha, informed during the briefing taken place in Yerevan, RIA RosBusinessConsulting informs citing Arminfo. "There are no bases to say that Uzbekistan plans on leaving the CSTO structure," RBC cites N.Bordyuzha. "Anyway, I do not see any prerequisites in this respect," he said, having added that the representatives of Uzbekistan work in the CSTO working bodies, including on coordination of documents." As informed earlier, Uzbekistan informed on leaving the Eurasian Economic Community (EurAsEC). (Kazakhstan Today)

RWE, TURKMENISTAN DEAL BLOW TO GAZPROM

17 April

Turkmenistan awarded the German partner to the Nabucco gas pipeline, RWE AG, an exploration contract in a move seen as a counter to Russian gas giant Gazprom. RWE spokesman Michael Rosen confirmed the deal to the EurasiaNet reporting agency, saying the measure secures a long-term relationship with Turkmenistan in the European energy sector. "Among other things, the parties have agreed upon investigating and discussing first direct deliveries of natural gas from Turkmenistan to Germany and Europe," RWE said in a statement. Andrei Grozin, head of Central Asian studies at the official Institute of Commonwealth of Independent States in Moscow, said Turkmenistan is moving to position itself as a diverse energy supplier as the region struggles to move away from Russian dependency. "I think (Turkmenistan) is trying to demonstrate its multi-vector politics to Russia, to Europe and to its closest neighbors, Uzbekistan and Kazakhstan," he said. "It's trying to intimidate Gazprom." A pipeline from the Dovletabad field along the border between Turkmenistan and Uzbekistan ruptured last week from technical complications resulting from a drop in gas volumes from Gazprom. Turkmenistan lashed out at the gas giant, demanding reparations for alleged contractual violations. (UPI)

RUSSIA, CHINA STAGE WAR GAMES IN CENTRAL ASIA

18 April

China, Russia, Kazakhstan, Tajikistan, and Kyrgyzstan took part in war games in the first such exercise since Kyrgyzstan said in February it would shut the last U.S. air base in Central Asia. The Manas base plays an important role in supplying U.S.-led troops fighting in Afghanistan and its closure poses a challenge to plans by President Barack Obama to send additional troops there to fight the growing Taliban insurgency. Russia sees Central Asia as part of its traditional zone of influence and is concerned by the West's growing presence there. About 1,000 soldiers took part in the exercises, 50 kilometers south of the Tajik capital Dushanbe under the auspices of the Shanghai Cooperation Organization (SCO). Only Uzbekistan declined to take part, saying its special services were occupied by other, preplanned events. Russian President Dmitry Medvedev has suggested that the SCO countries should have a stronger say in international efforts to restore peace in Afghanistan. Analysts have said the closure of the Manas base could be interpreted as Moscow's offer to Washington to review the regional rules of the game. The plot of the war games featured "Al-Qaeda" members who had crossed over the border from Afghanistan and captured a chemical factory, taking its workers hostage. (Reuters)

KYRGYZSTAN'S MANAS AIRPORT TO BE CIVILIAN AIRPORT ONLY

20 April

After the withdrawal of the US airbase, Manas airport will be used for civilian purposes only, Adakhan Madumarov, the secretary of Kyrgyzstan's Security Council, said on Monday. "The territory of the military base will not be turned over to other subjects. Manas will remain a purely civilian airport," he told reporters after the meeting with Nikolai Bordyuzha, the secretary-general of the Collective Security Treaty Organization (CSTO), on a visit here. Madumarov said Kyrgyzstan's leadership "has not received proposals either from the US or from other states to use Manas for transportation of military cargoes to Afghanistan." Bordyuzha believes the withdrawal of the US airbase from Kyrgyzstan's territory will not affect security in the Central Asian region. "I don't think the airbase in Manas had a cardinal effect on the state of security in Central Asia," Bordyuzha said, answering questions of reporters. He also pointed

out that CSTO member countries had made and continued to make contribution to Afghanistan's post-conflict structure, and Kyrgyzstan's role was among the most active. Manas airbase was opened in Kyrgyzstan in December 2001 to conduct anti-terrorist operation in Afghanistan. In February 2009 Kyrgyzstan completed the procedure of dissolving the treaty on the deployment of a US military contingent at Manas airport and notified the United States officially of its decision. US servicemen must leave Kyrgyzstan's territory within 180 days since the denunciation of the agreement, approximately in mid-August. The CSTO comprises of Romania, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan. (Itar-Tass)

KAZAKH GDP DECLINES 2% IN Q1 - ECON MINISTRY PRELIMINARY DATA

20 April

Kazakhstan's GDP contracted by 2% in the first quarter of 2009, according to preliminary data from the Economics and Budget Planning Ministry. "Provisionally negative 2% for the first quarter," Economics and Budget Planning Minister Bakhyt Sultanov told journalists following a government meeting in Astana on Monday. The GDP growth forecast for the full year remains unchanged at 1%. "For now the 1% remains. Our goal in the first half is to ensure maximal absorption of the funds allocated, so that it reflects on both the results for the first quarter and the second," Sultanov said. Kazakhstan's GDP rose 3.2% in 2008. (Interfax)

ALASANIA REITERATES READINESS TO MEET SAAKASHVILI

20 April

The authorities' refusal on Alliance for Georgia's proposal to hold a referendum on whether the voters wanted or not early presidential elections "has increased mistrust between the society and the authorities," Irakli Alasania, the leader of Alliance for Georgia, said. "I think an idea of referendum was much more attractive previously, but now it's late to a certain extent," Alasania said in an interview with the Georgian weekly, *Kviris Palitra*. He again reiterated that the opposition was ready to meet with President Saakashvili and listen to his arguments and proposals of overcoming the current crisis. "This, however, does not at all mean that the opposition is giving up its demand for the President's resignation," Alasania said and also added: "Eventually, no matter how things may

develop, each of us should remember that the country's interests are supreme and we should put these interests above of all the demands." Asked what the compromise might be in case of talks, Alasania responded: "It is impossible to talk in advance what the sides may compromise in the process of negotiations. I think in the face of the current situation, early elections are the only way out from the crisis." "I want to stress that we are not fighting against personalities, our goal is to change the system, which has brought the country into the crisis. If the meeting takes place with the President, of course, we will have an opportunity to listen what he deems to be the way out from this crisis," he added. Alasania also said that he had some contacts with Giorgi Baramidze, the state minister for Euro-Atlantic integration issues, to exchange information about security issues related with the opposition protest rallies. (Civil Georgia)

KAZAKHSTAN SNUBS NATO GAMES IN SUPPORT FOR RUSSIA

21 April

Kazakhstan refused on Tuesday to take part in NATO-organised war games in Georgia in a show of support for Russia, which has bitterly criticised the plan. Russia, which fought a brief war with Georgia last year and strongly opposes its ambition to become a member of NATO, has protested against the alliance's plans to hold a series of exercises near the Georgian capital Tbilisi in May. Kazakhstan, a former Soviet republic in Central Asia, on Tuesday backed Russia's position by pulling out. "No, we will not take part," Defence Minister Danial Akhmetov told reporters. "We are too busy. Yes, it's our final decision." NATO has said it does not understand why Moscow is upset by the long-planned exercises involving 1,300 troops from 19 countries from May 6 to June 1. This week Russia threatened to call off a meeting of senior military commanders with NATO next month if the alliance went ahead with the exercises, Interfax news agency reported. (Reuters)

BAKRADZE: 'OPPOSITION'S ULTIMATUM WILL NOT LEAD TO RESULTS'

21 April

Demand of those opposition parties, which are behind the ongoing protest rallies, to hold talks on terms of President Saakashvili's resignation is "an ultimatum" and cannot serve as a basis for a dialogue, Davit Bakradze, the parliamentary chairman, said on April 21. "The radical part of the

opposition has once again rejected dialogue and reaffirmed once again its position that they are ready to speak only about an ultimatum," he said while speaking at a session of parliamentary bureau. "I think that this is a very bad development, because this is not the way that will lead them to any concrete and positive result," Bakradze continued. "Anyway, this is their choice. I hope that at a certain point they will revise this position and I reaffirm that we are ready for a dialogue with this part of the opposition as well as with separate parties and political leaders in this group." (Civil Georgia)

GEORGIA FM DOWNPLAYS RUSSIA'S REACTION ON NATO DRILLS

21 April

Georgian Foreign Minister, Grigol Vashadze, said Russian ambassador to NATO Dmitry Rogozin's remarks on planned NATO exercises were not worth commenting on. "Rogozin is not a person with such an intellectual level that would be worth of being commented by Georgian officials," he told the Georgian public TV in Stockholm, where he met with his Swedish counterpart, Carl Bildt, on April 20. "As far as Russia's position on planned NATO exercises is concerned, Georgia has constitutional right to hold whatever exercises we want on our sovereign territory and Russia has no right to have an opinion about it," he added. "Instead of making comments on NATO exercises in Georgia, Russia would be better if it starts de-occupation of the Georgian territories." Russia's ambassador to NATO, Dmitry Rogozin, told Russian news channel, Vesti, on April 20 that he had sent a letter to NATO Secretary General explaining Moscow's position why it should refrain from exercises in Georgia. He said that with NATO-Russian contacts not fully restored yet, the alliance's exercises in Georgia would trigger Russia's negative reaction; he also said that NATO's war games would be perceived as a provocative step in the light of the last August's war; Rogozin also said that the timing of NATO exercises was also inappropriate amid ongoing political standoff in Georgia between the authorities and opposition. (Civil Georgia)

IMF TO LOAN TAJIKISTAN \$116 MILLION FOR GOVERNMENT PROGRAMS

22 April

The International Monetary Fund agreed to give a \$116 million loan to Tajikistan to help the Central

Asian nation cope with a decline in export demand and lower remittances. A deterioration in the global economy has “adversely affected” Tajikistan’s main exports of cotton and aluminum, and threatens to erode gains in poverty reduction, the Washington-based lender said in an April 21 statement.

Tajikistan can draw about \$38.7 million from the three-year loan immediately, the IMF said. The government has “committed to raising transfers to households in response to the economic crisis, and increasing resource allocations for health and education, even though revenues are expected to decline on account of the crisis,” said the IMF’s first deputy managing editor, John Lipsky. “Authorities are delaying some low-priority investment projects and scrutinizing current expenditures carefully” to meet deficit targets. Economic growth in the Caucasus and Central Asia will slow by two-thirds this year as exports recede and money sent from citizens abroad shrink, the IMF predicted last month. A slowdown in Russia is spilling over into countries including Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan and Turkmenistan, the fund said. (Bloomberg)

KYRGYZ VILLAGE LEADERS TAKEN HOSTAGE BY UZBEKS

22 April

The leaders of two Kyrgyz villages were briefly taken hostage by Uzbek farmers, RFE/RL’s Kyrgyz Service reports. Sabira Musaeva, a witness from the village of Boz near the Kyrgyz-Uzbek border, told RFE/RL that inhabitants of village of Khushiyar, across the border in Uzbekistan, began throwing stones at Kyrgyz vehicles crossing the border and then blocked the Batken-Sogment highway. The heads of the Kyrgyz villages of Kyshtut and Sogment came to resolve the standoff but were abducted by Uzbek villagers, Musaeva said. They were released three hours after regional governors came to negotiate. Dastan Khodjaev, governor of Kyrgyzstan’s Batken district, says the problem was caused by disagreements over livestock pastures. National borders in Central Asia are often unmarked and the territory disputed, causing problems for locals living in the border region. (RFE/RL)

THREE SOLDIERS KILLED IN CHECHNYA ATTACK

22 April

Three servicemen died in Russia’s North Caucasus republic of Chechnya after their vehicle came under

fire, a police source said on Wednesday. The attack occurred on Tuesday in southern Chechnya’s Achkhoy-Martan region. A police official said a search was underway for the assailants. The counter-terrorism operation in Chechnya was officially concluded on April 16, almost ten years after its inception. The Russian government’s decision to end the operation will entail the withdrawal of tens of thousands of troops from the region. Russian military officials said earlier this week that militant activity in Chechnya had sharply increased since the announcement, and that militants were organizing a network of bases. Chechen President Ramzan Kadyrov has dismissed the report. (RIA Novosti)

USA WELCOMED INITIATIVE OF KAZAKH PRESIDENT TO HOST INTERNATIONAL BANK OF NUCLEAR FUEL

22 April

The USA welcomed the initiative of the President of Kazakhstan, Nursultan Nazarbayev, to host the international bank of nuclear fuel in the territory of Kazakhstan, the agency reports citing the president’s press service. According to the press service, the State Secretary of Kazakhstan, Kanat Saudabaev, met American Assistant Secretary of Defense for Global Security Affairs, Joseph Benkert. “Close bilateral cooperation in strengthening of security in nuclear and biological spheres is being carried out. The USA welcomed the initiative of the President of Kazakhstan to host in the territory of our country the international bank of nuclear fuel under International Atomic Energy Agency (IAEA) aegis in case of creation of such a structure,” the press service informs. (Kazakhstan Today)

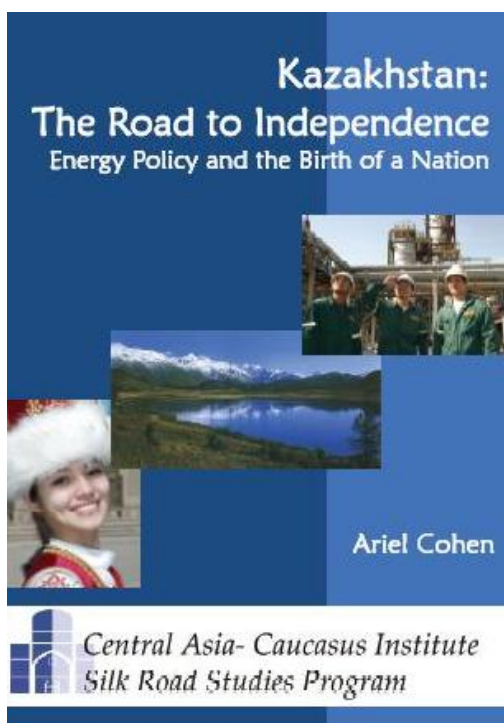
U.S. SAYS NATO GEORGIA EXERCISES ‘NOT PROVOCATIVE’

22 April

NATO’s planned multinational exercises in Georgia are “not provocative” and “we believe that they’re important to go forward, and we’re going to do so,” Robert Wood, an acting spokesman for the U.S. Department of State, said on April 21. “The NATO exercises are a normal part of NATO’s relationship with Georgia,” he said. “And the purpose of these exercises is to help Georgia meet NATO standards. I know there have been reports about Russia being concerned about these exercises. These exercises are no threat to Russia, to anybody else, and they’ve been in the planning stages for a

long time.” Russian Foreign Minister Sergei Lavrov has accused members of Nato of reverting to the “confrontational logic of the Cold War”. In an interview with the BBC Russian service on April 21, Sergey Lavrov, Russia’s foreign minister, said that NATO was reverting to the “confrontational logic of the Cold War.” He said that the roots of the diplomatic hostility lay in NATO’s “unilateral position” on the August war. Lavrov said the alliance members refused “to even debate the reasons for the conflict.” Nineteen NATO-member and partner countries were initially to take part in

the exercises, which will take place from May 6 to June 1 in Vaziani military base, twenty kilometers east of Tbilisi. On April 21, after Russia’s protests, however, Kazakhstan said that it would not take part. Other countries planning to participate are: Albania, Armenia, Azerbaijan, Bosnia & Herzegovina, Canada, Croatia, Czech Republic, Georgia, Greece, Hungary, Moldova, Serbia, Spain, the Former Yugoslav Republic of Macedonia, Turkey, the United Arab Emirates, United Kingdom and the United States. (Civil Georgia)



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