

Central Asia-Caucasus Analyst

BI-WEEKLY BRIEFING VOL. 15 NO. 13 26 JUNE 2013

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*Central Asia- Caucasus Institute
Silk Road Studies Program*

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Central Asia-Caucasus Analyst, 26 June 2013

THE CENTRAL ASIA-CAUCASUS ANALYST

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

BACKGROUND: 300-400 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: 400-600 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.

AUTHOR'S BIO: provide a short bio of yourself in 20-50 words.

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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THE POLITICAL SOURCES OF KYRGYZSTAN'S RECENT UNREST

Johan Engvall

Recent protests in Issyk-Kul and Jalal-Abad regions demanding the nationalization of Kumtor gold mine and the release of jailed members of parliament have demonstrated the limited ability of Kyrgyzstan's central government to enforce law and order throughout the country. There are political sources of this social and economic instability, notably, Kyrgyzstan's transformation to a semi-parliamentary system of government in 2010 has rooted out corrupt one-family rule but instituted a system of coalition-based corruption, where the country's major economic, political and territorial assets are divided among political parties with a detrimental impact on their ability to govern the country.

BACKGROUND: The recent wave of protests in Kyrgyzstan has once again demonstrated the delicate nature of the country's post-2010 democracy. On May 28, protestors demanding the nationalization of the Kumtor gold mine, the nation's largest industrial facility, cut off the power to the gold mining facility, leaving it idle for several days. As Kumtor, which is operated by the Canadian company Centerra Gold Inc., was held hostage by local horsemen in the highlands of the Issyk-Kul region, clashes between demonstrators and police broke out, forcing President Almazbek Atambaev to declare a state of emergency in the Dzhети-Oguz district surrounding the mine. After a visit by Prime Minister Jantoro Satybaldiev and some promises to renegotiate the Kumtor contract to the benefit of the Kyrgyz side, the mine resumed its operations on June 1.

Just as the protest around Kumtor was mitigated, unrest erupted in the southern Jalal-Abad region. Protestors captured the regional administration, burned a likeness of President Atambaev, appointed a local

potentate, Meder Usenov, as the people's governor and demanded the release of three jailed members of parliament, most notably Ata Zhurt party leader Kamchybek Tashiev, sentenced to jail earlier this year for allegedly attempting a violent overthrow of government in October last year. While a semblance of order was eventually reestablished also in Jalal-Abad, the situation remains volatile. Moreover, it was hardly by chance that on June 17, the Bishkek city court dropped all charges against the three members of parliament previously convicted for attempting to overthrow the government. It remains to be seen whether the released politicians will seek revenge or whether some pacifying agreement has been reached with the authorities.

The challenges to central government authority posed by local mobs in Issyk-Kul and Jalal-Abad are far from exceptional cases. In the northern Talas region, several gold mines licensed to foreign investors have for long stayed idle due to the mobilization of local citizens interrupting their work. The government's announcement of a new tender



for the right to operate the country's second largest gold deposit, Jerui in Talas, recently failed as not a single investor dared to bid. In another northern region, Naryn, a government decision to appoint a new police chief spectacularly failed when the new chief was chased out, and has yet to return. The remote southern Batken region has also become an increasingly volatile spot, with clashes between Kyrgyz and Tajiks around Tajik exclaves inside Kyrgyzstan turning ever more frequent. Finally, in the largest southern region of Osh, which still suffers from the horrendous violent clashes between ethnic Kyrgyz and ethnic Uzbeks in June 2010, the controversial mayor of Osh city, Melis Myrzakmatov, has carved out his own fiefdom.

In fact, Osh currently stands out as the sole case of a local government enjoying some support among the citizens, partly because of genuine popularity, partly out of fear. This is largely owing to Myrzakmatov's image as a guarantor of stability. Currently, he is probably the nation's most popular politician, and although he may harbor intentions of reaching the central power in Bishkek, for now he seems content with being the local strongman. Other regional and local

administrations, however, are devoid of public trust, the trend being one of provinces de facto increasingly slipping away from Bishkek's control.

IMPLICATIONS: What does the combination of a toothless national government, poor and ineffective local governance and the power of mob rule tell us about the state of Kyrgyzstan's semi-parliamentary system, which was rightly hailed as a bold step towards democratic development when introduced after the fall of the Bakiev regime in 2010?

Under Bakiev, almost all the state's political, economic and territorial assets were controlled and divided within the presidential family network, particularly among the president's brothers and sons. One brother controlled the law enforcement agencies, another supervised the Jalal-Abad oblast, a third oversaw Kyrgyz-China relations, while a fourth held sway over the judiciary. His oldest son had the security and customs systems as designated area, while the youngest wielded enormous influence over the country's banking, financial and economic institutions.

The whole rationale for the new semi-parliamentary form of government was to avoid one extended family, region or group capturing the government at the expense of other powerful interests, and thus secure a degree of balance among competing elites. While a commendable idea, the new system has yet to produce the desired effect in terms of relieving the strained relations between center and periphery, or urban and rural areas, nor has it been able to moderate intra-

elite relations. Indeed, fierce rivalries and subversive activities are as strong as ever.

In contrast to the corrupt one-family rule of the past, the divided executive-legislative power sharing constitution means that the powers of the parliament have increased substantially. Since 2010, three different coalition governments were created, and all five parties represented in the parliament have at some point been part of the ruling coalition, which currently consists of three parties – SDPK, Ar-Namys and Ata-Meken. The parties have divided among themselves all national ministries and agencies as well as regional administrations on the level of provinces, districts and cities. The same division also exists regarding some lucrative business enterprises. This practice has weakened the legitimacy of the central government, rendered local governance ineffective and spurred conflicts between residents of various regions and their administrations as trustees of different parties, with limited authority, are set to administer different parts of the country based on a kind of quota system. Constant reshuffling of staff, following the breakdown of one coalition and the creation of another, leaves the country without continuity regarding decision-making policies.

This has fostered a new type of corrupt system of government, which local observers have labeled coalition-based corruption. The president's powers are more limited than previously as he is now one potentate among others, albeit a very powerful one. That said, current President Atambaev certainly has real powers in his hands, especially after successfully subordinating the Prime

Minister. Moreover, important power instruments, such as security structures and foreign policy, are under presidential control. It should also be noted that the president has been careful in showing restraint and keeping a distance from the abundance of corrupt schemes and collaboration with criminals that was the order of the day during previous administrations. He has at the same time been hesitant regarding his appointments, preferring to rely on an old guard of top officials with a very limited interest or energy in taking on the tough questions of structural reforms. Thus, young, energetic professionals who could potentially make a difference remain sidelined in the state's governance.

In this new institutional setting, the most pressing governance problem is no longer that of limiting presidential power, but how to restrain a roving parliament where the 120 deputies are mainly concerned with their own interests, not ideology, political reform programs, or effectively enacting legislation. Beneath this political system of aggressive division of spoils among parties, an unreformed state apparatus lingers on. Judicial reform which was singled out as a priority after 2010 has been disappointing. Businesses are still feeding state inspectors through bribery. And the law enforcement system, in particular the police, is weak, demoralized and ineffective in handling protest mobs, with some policemen simply being paid off by protestors. It does not require much in this situation for one policeman to lose control and open deadly fire at protestors. If that happens, the outcome is anyone's guess.

CONCLUSIONS: The current situation has a number of implications for developments in Kyrgyzstan. The rule of mobs and the inability of the government to enforce the law have scared off potential and much needed investors. The instability further reduces government efforts toward permanent crisis management, as the political goals are limited to staying on top and maintaining power, while urgently needed reforms in the political, economic and social spheres are left to the future. As long

as a weak central power, roving political party interests and the rule of the mob continue to co-exist, the current knife-edge balance is poised to continue.

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IS THE ICE CRACKING AROUND NAGORNO-KARABAKH?

Stephen Blank

At the recent G-8 summit the three members of the Minsk Group, Russia, the U.S., and France, issued a statement calling on Azerbaijan and Armenia to move forward on this issue. Yet, the leaders of the Minsk Group largely repeated what they have done for years; they punted, took refuge in meaningless, high-flown, and contradictory rhetoric, and blamed everything on Baku and Yerevan. Although the two sides are not without blame, as suggested by the tense situation in Nagorno-Karabakh with periodic episodes of one or another side creating incidents that could escalate into outright conflict as well as Armenian and Azerbaijani policy, the refusal of the Minsk Group to act only ensures the continuation of this spiral.

BACKGROUND: The Minsk group, established in the wake of the Nagorno-Karabakh conflict in the early 1990s, has never functioned seriously and it is increasingly clear that not only the Minsk Group but also the West in general has adopted a consistently passive approach to this conflict. This abdication has essentially left it up to Moscow to try and find a solution even though the controlled tension produced due to this conflict is exactly what Moscow deems to be in its self-interest. The fact that the Minsk Group's members now attack these governments for seeking one-sided advantages exactly as they do is a telling example of the Minsk Group's hypocrisy and actual disinterest in finding a solution.

For example, in 2011 at the latest initiative undertaken by then President Dmitry Medvedev, Russia made the following proposal. According to Armenian political scientist Arman Melikyan, in earlier tripartite negotiations with Armenia and Russia on Nagorno-Karabakh that Russia ostensibly "brokered," Moscow was to arrange for the surrender of liberated territories, thereby ensuring its military

presence in return and establishing a network of military bases in Azerbaijan to prevent any further cooperation between Azerbaijan and NATO. While Armenian authorities reportedly accepted this plan; Baku refused to do so and saved Armenia, which clearly wants to incorporate Nagorno-Karabakh, from relinquishing territories under its control. Since recent revelations show that Azerbaijan desires NATO's full cooperation and says it would even consider membership in NATO if not for implied Russian and Iranian opposition, its rejection of this transparent neo-imperialist Russian ploy is hardly surprising. In other words, Moscow's price for solving this conflict was essentially to deprive both belligerent states of their sovereignty.

Moscow's duplicity came out into even starker view immediately after the G-8 summit when it was revealed that apart from the large-scale Russian military deployments to the Russian base at Gyumri, Armenia after 2010 and support for Armenia, Russia had also sold Azerbaijan a reported US\$ 1 billion in weapons. Such sales clearly



do not conform to the request for both sides to desist from actions that could enhance tensions. These weapons reportedly included T-90 Battle Tanks, BMP-3 infantry fighting vehicles, self-propelled artillery systems, multiple rocket launchers, self-propelled gun mortar systems and thermobaric rocket systems. Many of these systems clearly offered Azerbaijan new capabilities even as its defense spending continues to grow. The tanks appear to be close to, if not the actual, state of the art Russian tanks. In addition, these deliveries come on top of previous arms sales contracts in 2010-11 for air defense systems and helicopters worth about US\$ 3 billion. Meanwhile, Azerbaijan is acquiring UAVs and anti-missile radars, anti-ship missiles from Israel and air defenses and fighter planes from Ukraine and Belarus.

Although Russia regularly claims that it will not disturb the balance between the warring parties or contribute in any way to the aggravation of the existing conflict, this evidence starkly shows its real policy and also highlights just what kinds of systems could be involved if renewed fighting broke out. Of course, the scale of Azerbaijani acquisitions and purchases underscores its

increased commitment to a military buildup to coerce Armenia into a solution if not to actually use those systems.

IMPLICATIONS: The scale of Moscow's military and political mischief-making in Armenia and Azerbaijan underscores just how wrongheaded it is for the West in general and the Minsk Group in particular to continue to pretend to act and scold local governments when they contribute to the unresolved and possibly growing tensions in the area. It is clear from the statement at the G-8 that neither Washington nor Paris has any ideas for how to bring the parties to a negotiation process let alone a resolution of the conflict. Instead, Paris and Washington content themselves with moralizing statements and in practice wash their hands of the area leaving Moscow a free hand.

The results of this free hand are there for everyone to see. Russia is actively abetting a dangerous military buildup while also demanding what amounts to extra-territorial rights at its base in Gyumri which it has steadily built up, allegedly against Western threats, since 2010. In fact the buildup may actually be generated by the large amount of Russian weapons that Moscow is selling to Baku. Russia can thus make lots of money while inciting a state of controlled conflict and then pose as a disinterested mediator if both sides essentially surrender their sovereignty. It should therefore come as no surprise that the conflict over Nagorno-Karabakh is no closer to resolution today than before and that the major powers have essentially walked away from it, leaving Moscow to play its games in the area. Coupled with Russia's unrelenting

determination to annex territory taken from Georgia in 2008 during the Russo-Georgian war, its attempts to coerce Armenia into submission to its gas policy and thus overall economic policy through Gazprom's manipulation of prices, and Russia's clear opposition to Armenia signing an Association Agreement with the EU, it should be obvious where this continued Western neglect is leading and what consequences it will have.

This Western neglect of the Caucasus can in no way be regarded as "benign neglect," but is malign neglect because it allows all the forces of destabilization, those who benefit from conflict and authoritarianism to entrench themselves in power. It also allows Russia to play the most devious of games in order to keep the South Caucasus in a state of unresolved tension and dependence upon Moscow, even as it seeks to undermine them. Thus, even as Russia supplies Azerbaijan with weapons, its local media in the North Caucasus attacks Azerbaijan for its treatment of ethnic minorities while Russia improves its ties with Iran, which has been implicated in four anti-Azerbaijani plots since 2012 alone.

It should be clear that his continued malign neglect of the conflict in Nagorno-Karabakh in particular and of the larger South Caucasus in general can only lead to increased tension, a heightened possibility of military skirmishes if not actual wars, and the continuing degradation of each country's domestic political process. Thus, Western neglect only facilitates the decline of the South Caucasus into what appears to be a hopeless mess of interacting pathologies that

defy solution and that duly provides governments with a further excuse for inaction. Given the global repercussions of the Russo-Georgian war of 2008, this passivity and myopia may seem astonishing. Yet, it has now become a long-term policy conducted not only by the Minsk Group members but also by the EU and other governments.

CONCLUSIONS: Of course, Russia thinks it benefits by being left alone to pose as the ordering power of the south Caucasus. However, as Russian policies in the North and South Caucasus all too clearly tell us, Moscow has no idea of how to establish a generally secure and legitimate order here. Instead, its goals are to make a quick buck, maintain its untrammled power, and increase tensions in order to achieve the first two goals. It is essentially the policy of a mafia family seeking profit, power, and status, but that is unable to provide anything truly positive to its neighborhood. Since Russia really lacks the means to enforce true security or acquire a genuinely legitimate authority over the rival states and movements that permeate the entire Caucasus, there is every reason to believe that not only will the conflicts in the North Caucasus continue; they may spread southward. Similarly the existing conflicts in the South Caucasus will sooner or later explode for lack of any other alternative. Is this truly what Western interests, not to mention values, call for?

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U.S. Army, Defense Department, or the
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KYRGYZSTAN'S DECISION TO RENOUNCE MANAS TRANSIT CENTER FAVORS RUSSIA

Erica Marat

The Kyrgyz parliament has voted to support President Almazbek Atambaev's decision to renounce the contract for the U.S. transit center at Manas airport. The main reasons for the parliament's vote were primarily a response to the Kremlin's decision to write off a large chunk of Kyrgyzstan's debt and to Moscow's promise to construct hydropower plants in Kyrgyzstan, as well as to Washington's abrupt decision to dismiss criminal charges against Maksim Bakiev, son of former president Kurmanbek Bakiev. In the meantime, uncertainty lingers regarding the finality of the parliament's decision and how the president will proceed with his plan to build an international transit hub at Manas once the U.S. leaves.

BACKGROUND: On June 20, the Kyrgyz parliament unanimously voted to support President Atambaev's decree denouncing the agreement with the U.S. regarding the Transit Center at the Manas airport. The original deal was made shortly after the September 11, 2001, terrorist attacks in the U.S. Atambaev's call to shut down the base by July 2014, when the current contract expires and NATO forces are scheduled to leave Afghanistan, has been consistent since he was elected president almost two years ago. Atambaev plans to replace the facility with a commercial international hub.

Until recently, MPs indicated that the president's initiative would fail in the parliament because MPs regard the U.S. military presence as an important lever against Russian and Chinese political pressure. A series of events over the past two months, however, changed the mood in parliament. First, in early May, the U.S. Department of Justice abruptly dropped a criminal case against Maksim Bakiev

without explanation. According to Kyrgyz government representatives, the news came as a surprise and Bishkek was not briefed ahead of time. Former members of the opposition to Bakiev now in parliament, as well as members of the incumbent administration, had hoped that the U.S. would help extradite Maksim from the UK to U.S. to face trial for financial crimes.

Furthermore, MPs and government officials point to Russia's promise to build the two giant Kambarata hydropower stations on the Naryn River in Kyrgyzstan. The project's future is uncertain. If constructed, the production costs for both stations will exceed revenues, unless the energy sector is reformed and electricity tariffs are raised in Kyrgyzstan. The plants are also likely to escalate tensions with neighboring Uzbekistan, which depends on Kyrgyzstan's water supply in the summer months. Kambarata hydropower stations would help Kyrgyzstan better control water release to downstream neighbors.



Finally, last month Moscow agreed to write off US\$ 500 million of Kyrgyzstan's debt, a move welcomed by the parliament in Bishkek. Russia has recently deployed other forms of pressure as well. Kyrgyzstan has

been coerced into joining the Russian-led Customs Union by 2015, despite strong resistance from entrepreneurs inside the country.

If the U.S. transit center leaves, Kyrgyzstan's US\$ 1.7 billion national budget will lose US\$ 60 million in annual rent. The economy as a whole will lose another US\$ 200 million of various spending associated with Manas. In 2011, Kyrgyzstan's budget received US\$ 150 million in connection to the transit center. First Vice-President Joomart Otorbayev has raised concerns about the potential costs should the base shut down. MPs, in the meantime, have begun to look for ways to close the shortfall, such as increasing taxes for items like cigarettes and alcohol. But similar to the president's short-term thinking about Manas, parliament voted to oust the U.S. base without having a clear idea about how to mitigate the economic damage.

This is not the first time that Bishkek has told the U.S. base to leave. In February 2009, Kyrgyzstan's then-president Bakiev announced that he would shut down the U.S. base, but changed his mind four months later. In the meantime, he received US\$ 300 million of a US\$ 2 billion loan promised by Russia in return for expelling the base. Maksim Bakiev reportedly spent the Russian funds in the international market. Maksim also allegedly benefitted from fuel supply contracts to Manas. Bakiev was able to renegotiate the agreement with the United States in 2009, increasing Washington's annual rent from US\$ 17 million to US\$ 60 million. Following Bakiev's about-face, the Kremlin-controlled Russian-language media in Kyrgyzstan blasted the president, fueling unrest among Kyrgyz opposition leaders and regular citizens, leading eventually to his overthrow.

IMPLICATIONS: There is widespread uncertainty about the future of Kyrgyz-U.S. relations should the transit center close. It is quite possible that the parliament will change its stance regarding the base yet again. The shift might occur if the president changes his position, or if any other politically significant issue, such as the Maksim Bakiev case, emerges between the U.S. and Kyrgyzstan. There is an understanding among some government officials and MPs that the U.S. will have to take the lead to recover its relationship with Bishkek after the base leaves. This attitude reflects a widespread perception that Kyrgyzstan's consent to host the base for over a decade has been an act of political goodwill. There are also discussions among analysts whether the

U.S. is ready to re-negotiate the deal with the Kyrgyz government as it did in 2009, a possibility that U.S. experts consider as highly unlikely.

Kyrgyzstan's decision to shut down the base shifts Bishkek closer to Russia. Indeed, Atambaev's administration issued the decree days before Russian President Vladimir Putin suddenly decided to visit Bishkek to attend a Collective Security Treaty Organization summit. Atambaev, who is unlikely to benefit personally from financial inflows associated with the base, sees the U.S. military presence as a destabilizing factor in the country. The president is wary of the negative repercussions the base might trigger in the future. For the president, the decision to expel the U.S. military seems to provide a political shield from another political uprising during his tenure. During his visit to Bishkek, Putin promised to fill in the financial gap left by the American military presence through Russia's airbase in Kant. The Russian leader reiterated that it was Kyrgyzstan's own wish to invite the Russian military onto its territory as a response to the growing threat of terrorism. To date, the Kremlin-controlled media in Russia and Kyrgyzstan have consistently covered Atambaev in a positive manner.

The feasibility of President Atambaev's plans to launch an international transit hub at Manas is also uncertain. The president has yet to clarify where he will secure funds to build the facility, who will use the hub, and what type of cargo will pass through it. Finally, the president has been keen to emphasize that he will not allow any U.S. military presence at Manas, but will NATO

aircraft still be able to use the hub to refuel? Atambaev's administration seems to expect that some third party will emerge to build the hub out of political, not economic, calculations.

Atambaev likely hopes that Turkey will participate in the transit hub project. His good personal relations with Turkey's President Abdullah Gul have promoted stronger cooperation between the two countries. In 2012 Turkey allocated US\$ 106 million in credits and grants, while Turkish airlines has opened two additional flights to Kyrgyzstan, one to Mongolia (with a layover in Bishkek) and one connecting Osh and Istanbul. Atambaev's first foreign visit as a president was to Turkey in early 2012, demonstrating his personal and political alignment with Ankara.

As the president proceeded with his plan to cancel the Manas agreement, some MPs seemed not to know what exactly the parliament's role would be regarding Atambaev's initiative. The few MPs who continue to oppose repudiating the agreement said they feel like they cannot influence the debate about the U.S. military presence because the decision has already been made.

CONCLUSIONS: As the fate of the U.S. base at Manas was decided in the president's office and confirmed in the Kyrgyz parliament, factors unrelated to Kyrgyz-U.S. relations came into play. Russia's pressure to oust the base and the Maksim Bakiev case have convinced many MPs that the Manas base no longer offers political benefits for Kyrgyzstan. As the decisions are taken, MPs, Kyrgyzstan's expert community, and the

wider public still expect the U.S. to bargain for its interests, as it did in 2009. Whether this is a realistic expectation is not part of the discussion in Kyrgyzstan, and this apparent blind spot reveals some of the lasting asymmetries in the perception of Bishkek's value to Washington.

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WHAT DOES AMIROV'S ARREST IMPLY FOR DAGESTAN?

Emil Souleimanov

On June 1, Makhachkala's mayor Said Amirov was arrested and transported to Moscow by a military helicopter. The unexpected arrest of the controversial politician, referred to by many as Dagestan's godfather, has raised questions both inside and outside this North Caucasian republic about the true motive behind a move that was certainly approved by the Kremlin authorities. Does Amirov's arrest imply a significant change in Moscow's strategy toward the region's most volatile republic, or it is rather the outcome of a tactical move without far-reaching consequences for Dagestan's politics and security?

BACKGROUND: Amirov's arrest, carried out by an unprecedented concentration in Dagestan's capital city of heavily armed forces including armored personal carriers, fighting vehicles, and helicopters, received both positive and negative reactions in Dagestan. Many in the republic are convinced that Amirov's 15-year tenure as mayor of Makhachkala has been marked by physical liquidation of his political opponents, large-scale corruption, control over local businesses, and other forms of mismanagement. His arrest thus gives rise to hopes that change is possible in the country; a prospect increasingly associated with Ramazan Abdulatipov, Dagestan's acting president since early 2013. Sources in Dagestan have recently alleged that a conflict was underway between Abdulatipov, an ethnic Avar, and Amirov, an ethnic Dargin, over issues ranging from redistribution of power and wealth through a system of local clans to the forthcoming presidential elections in fall 2013, should they take place. Some Dagestanis hope that Amirov's arrest is a result of Abdulatipov's vow to rid the country of corrupt and dishonest policemen and statesmen.

Federal Security Service (FSB) officials have accused Amirov and a number of other politicians close to him, including his nephew, the deputy mayor of Kaspiysk, of the murder of a detective in 2011. It is likely that more charges will follow as the trial proceeds, exposing Amirov's controversial networking and practices that have long been a public secret in the republic. Some observers point out that Amirov's alleged cooperation with insurgent leaders, for instance the notorious Ibrahim Hajidadayev of the Gimry jamaat, has contributed to the prevalence of Amirov and his clan in Dagestan's complicated clan structure. Yet, whatever the outcome of Amirov's trial, the removal of a single person, albeit the most controversial and powerful, from the republic's political scene will hardly change the established practices of Dagestani policy-making, which has often been characterized by a specific form of *modus vivendi* between the authorities, including the law enforcement agencies, and criminals and members of Islamist jamaats formally in war with the former.



IMPLICATIONS: This cohabitation has become consolidated in the recent decade. Some jamaat leaders have acquired a safe haven in their native rural areas, where they could run their bases and hide out. In return, the local administration and law enforcement of these areas are not targeted by the jihadists. Representatives of authorities and jihadists are often related, natives of the same village or town, and belong to the same ethnic group, which helps them forge non-aggression pacts to mutual benefit. According to some Dagestanis, this factor has impeded the efficiency of the counterinsurgency campaign in parts of the republic, and has prompted Dagestani authorities to deploy police units from distant areas. Even so, insurgents are often informed by the local authorities of the upcoming crackdown. This problem contributed to Moscow's decision last year to reinforce counterinsurgency operations in Dagestan with Ministry of Defense and Ministry of Interior units.

Second and perhaps most important, authorities and law enforcement, as well as jamaats in Dagestan are interested in "taxing" local businesses, which has been a key reason for violent confrontations

between the two sides. Insurgent groups depend heavily on an inflow of funds, while positions in the Dagestani police are more or less openly sold – or given to ethnic or clan kin – and employees expect opportunities to acquire a return on this investment.

Attempting to avoid violence, law enforcement and jamaat leaders sometimes strike deals on their shares in the extortion. Given their relative power, shares can vary from approximately one third to two thirds. While some jamaats are led by convinced jihadists who refuse any form of cooperation with the authorities, others have combined jihad with crime and collaboration, or simply switched the aim of their activities to personal enrichment.

In some instances, jamaats and siloviki have exerted pressure on local businesses or wealthy individuals in a "good cop, bad cop" manner. With the approval of local authorities, law enforcement officers could request businessmen to pay a certain amount of money, usually in the thousands of dollars. Failing to do so would turn them into targets of local insurgents who have often profiled themselves as guardians of morality. Since many local businesses can easily be labeled as anti-Islamic in nature (such as restaurants selling alcohol, saunas associated with prostitution, etc.), killing or crippling their owners can both help jamaat leaders make solid money, and ensure their popularity among traditional and religious Dagestanis. In other instances, local businesses are approached by jamaats to pay the so called zak'at to insurgents, of which a portion is handed to the authorities. Another option for local siloviki is to murder defiant

businessmen and declare them insurgents killed during counterinsurgency operations. Given the impunity and incompetence prevailing within Dagestan's police, this could even benefit the careers of responsible police officers. As a result, innocent Dagestanis have frequently become targets of violence perpetrated by both law enforcement and insurgents, which has in the recent decade shaped the negative attitudes of the Dagestanis public toward the local police.

In this scheme of money-making, Amirov enjoyed a special standing given the scope of his power and influence. Some Dagestanis allege that while large businesses and oligarchs were off limits to local law enforcement (Dagestani oligarchs routinely possess armed guards of their own resembling private armies), Amirov's cooperation with Hajidadayev, and possibly other insurgent leaders, was instrumental in extorting money from them. According to some local sources, businessmen periodically had to pay serious money to Amirov and his clan to make sure they and their relatives would not become victims of "Wahhabi terrorism." The same was true for Amirov's political opponents and leaders of competing clans. Even though precise information on this subject is for understandable reasons difficult to obtain, some commentators have alleged that recent murders and arrests of some insurgents have paved the ground for Amirov's detainment, possibly because they have testified against him.

CONCLUSIONS: Doubts remain as to whether Amirov's arrest is indicative of a shift in Moscow's policies toward the

Dagestani elites or just an outcome of "clan wars" that have become an entrenched feature of regional politics. If it merely represents an attempt by Dagestan's present leader or his closest circle to take over power and wealth in the republic, the impact of such a move will be rather insignificant. Even so, it has already contributed to reinforced inter-ethnic tensions between Dagestan's two major ethnic communities, Avars and Dargins, given Abdulatipov's and Amirov's ethnic origins and power bases. In Dagestan's situation of permanent inter-ethnic competition, many Dargins consider Amirov's "liquidation" as another attempt on the part of Avars to concentrate power in the republic in their own hands, following the recent *de facto* replacement of Dagestan's former president Magomedsalam Magomedov, another Dargin, by Abdulatipov, an Avar.

If Amirov's arrest is part of Moscow's far-reaching efforts to cleanse the Dagestani elites, serious societal change could be expected in the country. Getting rid of corrupt and unpopular leaders and siloviki engaged in criminal activities would significantly improve public attitudes toward local elites. Along with an announced reform of the Dagestani police, this could potentially reduce support for the insurgency, seen by many ordinary Dagestanis, particularly the youth, as the only way of punishing the siloviki and authorities for their impunity. Hopefully, the ongoing deterioration of the situation in Dagestan, along with the general inability of local authorities to put an end to the insurgency, has led the Kremlin, already concerned over the security implications of

the North Caucasus insurgency for the upcoming Olympics in Sochi (2014), to rethink its policy toward the region. Coming months will show whether such hopes are valid.

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FIELD REPORTS

GEORGIAN MIA UNCOVERS SHOCKING EVIDENCE AGAINST FORMER GOVERNMENT

Eka Janashia

On June 17, Georgia's Ministry of Internal Affairs (MIA) disclosed a covert cache in the western region of Samegrelo, storing videotapes allegedly screening brutal torture, sexual abuse, beating and inhuman treatment of individuals; photos and private data on certain political opponents whose arrests were planned in the event of a United National Movement (UNM) victory in the October 1, 2012 parliamentary elections; and a large amount of explosive devices, military munitions, narcotics and psychotropic medicines.

The MIA presented a small part of the uncovered videotapes depicting brutal torture, conducted in 2011 by law enforcement officers against two detainees, to the diplomatic corps accredited in Georgia, media and civil society representatives, political analysts and commentators. In connection to the torture videos Tbilisi City Court ordered pre-trial detention for nine persons on June 21, most of which are former law enforcement officers.

The ruling coalition, Georgian Dream (GD) claimed that the discovered videos did not illustrate isolated cases but portrayed a systemic failure prompting the political

responsibility of president and other high-profile government figures.

Initially, the UNM insisted that the arms cache was a secret storage site of the Ministry of Defense (MOD), to be used for defensive purposes in the case of a foreign military invasion and guerrilla warfare. However, Defense Minister Irakli Alasania rejected the UNM's assertions saying that the cache had never belonged to MOD.

President Mikheil Saakashvili later demanded a parliamentary investigative commission to be set up in order to supervise the MIA's probe into the revealed crimes in an effort to avoid political bias and determine the "objective truth."

In his televised remarks, Saakashvili expressed regret that "sadists and violators" had been transferred from Eduard Shevardnadze's administration into the state system during his term in office and named two former officials, the former head of the Constitutional Security Department Levan Kardava and the former deputy prosecutor general David Chkhatarashvili, as responsible for the appalling cases. Saakashvili insisted that Kardava and Chkhatarashvili are now cooperating with new government, in particular with Prime

Minister Ivanishvili's adviser Gia Khukhashvili, one of the most influential figures in the GD coalition. "Speculation about such cases being of a systemic nature represent part of a campaign directed against the previous authorities and personally against me," Saakashvili said.

Notably, two days before the MIA revealed the cache the U.S. Congress released a document stating that the measures taken by the new Georgian government against former officials appeared to be politically motivated and could have a destructive impact on bilateral ties between the U.S. and Georgia as well as on Georgia's perspectives for accession to international organizations. In particular, the paper termed the arrest of former Prime Minister and secretary general of the UNM Vano Merabishvili as an "especially troubling" factor.

Co-rapporteurs from the Parliamentary Assembly of the Council of Europe (PACE), the EU foreign policy chief Catherine Ashton and the EU Commissioner for Enlargement and European Neighborhood Policy Štefan Füle as well as NATO secretary General Anders Fogh Rasmussen also expressed concerns regarding Merabishvili's arrest and proclaimed that "even the perception" of politically motivated persecution should be avoided.

Merabishvili was arrested on May 21 for abuse of power, mispending, embezzlement and bribing of voters. The use of disproportional force in the dispersal of an anti-government rally on May 26, 2011, organized by former speaker of parliament

Nino Burjanadze, is among the major charges brought against him.

The recently unearthed videotapes could well become a source of additional charges against Merabishvili. In the Talk Show Position on Rustavi 2 on June 21, Interior Minister Irakli Gharibashvili stated that given Merabishvili's reputation as a strongman, it was hardly imaginable that he would not have been informed about such grave crimes while heading the MIA.

The Georgian government is apparently making an effort to validate the arrest of the former Prime Minister and eschew the allegations of applying selective justice. However, whereas an enormous emphasis is placed on the restoration of justice, Vladimer Bedukadze – a person connected to the prison abuse scandal and who has been accused of severe crimes such as torture and inhuman treatment – was surprisingly fully exempted from criminal liability on June 19, following a plea bargain including "special cooperation" between him and Georgia's General Prosecutor Archil Kbilashvili.

In addition, Nino Burjanadze, who organized the 2011 anti-government rally, has still not been charged with an incident during those events. It is known that when the riots started, the convoy carrying Burjanadze and her husband Badri Bitsadze crashed into several people at high speed when trying to leave the scene, resulting in the death of one policeman and several injured bystanders. Such episodes damage the credibility of the government's declared policy to restore justice.

KAZAKHSTAN ADOPTS CONTROVERSIAL PENSION REFORM

Georgiy Voloshin

On June 21, Kazakhstan's President Nursultan Nazarbayev signed into law a bill introducing a comprehensive reform of the country's pension savings system. The main novelty of the bill is a provision increasing women's retirement age from 58 to 63 years, thus ensuring full equality with the working male population. Earlier in April, the chairman of Kazakhstan's National Bank, Grigory Marchenko, made public the results of an independent assessment made by international experts according to which the state budget might lose US\$ 19.6 billion worth of potential tax revenue by 2023, should a similar reform not be adopted by the end of this year.

The initial draft law was developed by the country's Ministry of Labor and Social Protection headed by Serik Abdenov, the youngest member of the government. According to this legislative proposal, women's retirement age was to be progressively increased between 2014 and 2024, with every passing year within this timeframe accounting for an additional five months of seniority required by the law in order to obtain full access to future retirement benefits. While the principal argument used by both the Labor Ministry and the National Bank was that several embattled European economies had already resorted to similar measures for the purpose of reducing their budget deficits, the pension reform quickly led to a wave of protests.

Despite a few endorsements secured by state officials on behalf of the women's business community whose representatives most often enjoy better working conditions than average Kazakhstani women working as low- or mid-level employees, the reform was heavily criticized by several public associations. Moreover, Labor Minister Abdenov became the target of a massive character assassination campaign organized via social networks, after a series of speeches conducted in the regions where he had tried to present the benefits of the proposed law. On one occasion, a supporter of the local communist party office even threw eggs at the minister while the latter was speaking at a press conference in Almaty.

Following the barrage of criticism directed against the government's refurbished pension savings plan, Nazarbayev addressed the Nation on June 7, almost one month after both chambers of the Parliament had voted in favor of the draft and submitted it for the president's approval. Commending the initial scope of the reform aimed at better coping with eventual budget deficit problems resulting from reduced tax revenues in the coming years, Nazarbayev however criticized the Labor Ministry for its poor performance in terms of providing a clear illustration of the intended benefits offered by the text. He therefore suggested amending the draft law so as to start implementing the reform as applied to women's retirement age

four years later than initially foreseen, on January 1, 2018.

On June 10, three days after his televised address, Nazarbayev dismissed Labor Minister Abdenov and replaced him with his deputy. This dismissal was swiftly followed by the adoption of an amended draft law incorporating Nazarbayev's suggestion. Whereas this move still enabled Kazakhstani authorities to implement the necessary reform dictated by the current economic situation, it also once again revealed Nazarbayev's favorite tactics of using junior ministers or members of parliament as mouthpieces of potentially controversial legislative proposals while staying above the fray and keeping his credibility intact. The same tactics were used in January 2011 when the Kazakhstani leader declined the proposal to hold a national referendum on the issue of extending his presidential powers up to 2020 without formal elections.

Even though women's retirement age has become the central theme of public debates regarding Kazakhstan's pension savings system, the reform includes other far-going changes. Both public and private employers will now have to pay an additional five percent of pension taxes for their employees who already contribute ten percent of their monthly salaries. Furthermore, another five percent of pension tax will be required for those who are involved in dangerous industrial fields, such as petrochemicals or metallurgy. However, the most significant change is the establishment of a single pension savings fund slated to become operational on July 1.

Since 1998, Kazakhstani citizens have had a possibility to transfer their pension payments to any of the privately-held pension funds existing alongside a state-controlled entity. The government now plans to pool all the pension money estimated by Nazarbayev at US\$ 20.7 billion under state control. While private funds are expected to retain their right to manage pension assets in ways foreseen by their individual investment strategies, the government has promised to monitor such investments in order to mitigate excessive risk and ensure stable long-term yields. At the same time, most experts believe that the pension money could be used to finance large-scale investment projects whose cost is too high for the current budget. Therefore, this prospect has all the chances to make the reform even more unpopular.

KAZAKHSTAN GOES G-GLOBAL

Sergei Gretskey

In recent years, Kazakhstan has taken a number of steps to raise its international profile and firmly plant its flag on the world stage. The first success was scored when the country became Chairman-in-Office of the Organization for Security and Cooperation in Europe (OSCE) in 2010 and hosted the OSCE Summit in December of that year. The next accomplishment was hosting the 7th Asian Winter Games in January-February 2011. Earlier this year Astana successfully outbid Liege (Belgium) to become the venue of Expo 2017. The Astana Economic Forum and its G-Global online platform, however, may turn out to be Kazakhstan's most significant imprint on global politics and economics.

The Astana Economic Forum (AEF) was inaugurated in 2008 by the Eurasian Club of Economists. On May 22-24, 2013, it met for the sixth time. Its 12,000 registered participants included thirty-five acting and former presidents, prime ministers, and ministers, ten Nobel Laureates in economics, and forty heads of international organizations and corporations. They came from 132 countries to discuss issues related to sustainable economic growth, financial stability, social policy, clean energy, competitiveness of countries and regions, and innovation. The forum adopted the Astana declaration, which outlined an international anti-crisis plan. The 7th meeting of the AEF was not only about political and expert dialogues and discussions. It was also a platform for

business interaction and cooperation. About 80 agreements and MOU worth US\$ 2.7 billion were signed.

What makes the AEF stand out from similar fora is the launch of its G-Global web portal in January 2012. The idea to create the portal belongs to President Nazarbayev and was a reflection of his earlier statements on the root causes of the 2007-2009 global financial and economic crisis and his ideas for overhauling the international financial system. These ideas, which found support among participants of the AEF meetings, centered on the notion that post-crisis development and stability of the global economy require global participation in the decision-making process. As the Kazakhstani president stated, "radical changes in the world economic system are impossible without moving from the Washington to the global consensus." Nazarbayev stated it was time to cast away what he termed "geopolitical snobbery" and create a "new system of global management of interests of both developed and developing countries." Speaking at this year's Forum, Robert Mundell, Nobel Prize Winner in Economics, echoed Nazarbayev's ideas when he said that "the G-20 and G-8 lack the mechanisms for tackling sensitive problems and producing effective proposals for dealing with the crisis. At the same time 90 percent of the countries in the world have no voice in these forums."

Consequently, the G-Global web portal was conceived as an interactive platform that by

fostering dialogue among international economists would become a hub of ideas on how to deal with global economic crises and offer scenarios for sustainable global economic development. The timeliness of launching G-Global was underscored by Nazarbayev's and other participants' acknowledgement that the 2007-2009 crisis was not over, particularly in Europe, and the fact that solutions proposed by the usual set of international institutions have not succeeded. That is why this year the first International Anti-crisis Conference was held in conjunction with the AEF. The idea behind the Conference was to explore alternative ideas for ending the current crisis.

Since its inception a year ago, three million people from 160 countries have already visited the portal. Fourteen Nobel Laureates in economics are among its participants. The portal serves as a focal point for accumulating recommendations of its users as well as the participants of the AEFs, which once distilled would be presented to the participants of the G20 summit that will be held in Russia in September as well as to G-8, the IMF, the World Bank, and the UN.

The first such set of recommendations was presented in 2012 and was highly praised by UN Secretary-General Ban Ki-Moon, who said that they would be taken into account and reflected in the agenda of the discussions with the G20 leaders in Mexico. This year, the recommendations focus on efficient management of the global economy, elimination of trade barriers set by the developed economies, food security, and the development of clean energy.

The latter is of particular interest and importance for Kazakhstan. After winning the bid for hosting Expo 2017 Kazakhstan announced its plans to turn its capital into a fully "green" city and to power the exhibition exclusively by alternative sources of energy. The first stage will be the building of a pilot "green" district in the Kazakhstani capital. Astana may thus become the first "green" city in the world.

Though Astana Economic Forum is still developing its identity, it has already been hailed as an important institution. John Nash, Nobel Prize Laureate in Economics, stated that in "terms of significance, the Astana Economic Forum is perhaps comparable to the meetings in Davos. Bringing together world-leading experts in economics, Kazakhstan has once again become an effective platform for dialogue." While it may be a stretch to put the AEF on the same footing as Davos, it would certainly not be a stretch to call it the Davos of the developing world. By launching the Astana Economic Forum Kazakhstan has become one of the leading champions of the right of developing countries to an equal say in shaping the rules of the global economy and its management. In so doing, Astana has well positioned itself to become an important player in world politics and the global economy.

RUSSIA AND AZERBAIJAN TERMINATE BAKU-NOVOROSSIYSK AGREEMENT

Mina Muradova

Russia and Azerbaijan have recently terminated two strategic agreements. In May, the Russian government terminated a 1996 deal to transport oil from Azerbaijan through its pipeline system. The agreement on transporting Azerbaijani oil via the Baku-Novorossiysk pipeline envisaged the transit of at least five million metric tons of oil a year, with a tariff of about US\$ 15.70 per metric ton. However, the State Oil Company of Azerbaijan Republic (SOCAR) has pumped only about two million metric tons of oil in the past two years, and planned to further reduce that quantity to 1.6 million metric tons this year. Russia's state-run oil pipeline operator Transneft said it had lost about US\$ 50 million a year because the pipeline was operating at half capacity. Russian and Azerbaijani companies have started talks on introducing a new pricing system for next year, but the current tariff will remain in force for the remainder of this year.

The Deputy Head of Azerbaijan's Presidential Administration, Novruz Mammadov, told local media that "the transportation of oil at the moment is simply not profitable to both parties in terms of economic and commercial viability." He noted "we accept the decision of the Russian Federation as perfectly normal." Earlier this year, official Moscow announced the termination of another agreement regarding the lease of the early warning radar station "Darial" in Gabala region, Azerbaijan. Russia leased the radar station since the collapse of

Soviet Union and the last agreement expired in December 2012 after 10 years. Media reported that the sides failed to agree on a rent fee.

Recent developments in bilateral relations between Russia and Azerbaijan led to assumptions that tensions are rising between the two countries, but Russian Foreign Minister stressed that "there are no political tensions between us" and that the issue of the Baku-Novorossiysk pipeline was purely a business decision. "Any deterioration in relations between the two countries is out of the question," Lavrov said. "The situation over the Gabala radar station is known - we failed to agree on the price. Other claims are speculation and we are not engaged in speculation." Lavrov stressed the lack of sufficient oil coming through the pipeline as the main reason for the decision, not anger over the Gabala radar station, News.az reported. "As to the contract on the Baku-Novorossiysk pipeline signed in 1996, originally the sides aimed to fill up the pipe and the rate was calculated inappropriately ... In fact, the pipeline was not fully filled up, which caused problems for the Russian side. So, this is a purely economic matter. Possibly, tariffs will be reconsidered."

At the same time, Azerbaijan has long complained about losing money on the pipeline due to Transneft's tariff of US\$ 15.70 per ton of oil transported through Russian territory to the Black Sea port of Novorossiysk, though it has since developed

cheaper pipeline and railroad routes to neighboring Georgia. Analysts say that the prices Baku can obtain for the oil are further limited because Russia mixes the high-quality Azeri Light product with its own heavy sour Urals brand at Novorossiysk, thus selling it at a discount to the benchmark Brent crude.

SOCAR stated that the decision of the Russian government to terminate the agreement will have “no negative impact on the supply of Azerbaijani oil to the world markets,” due to the fact that Azerbaijan has established a reliable and diverse system of oil and gas pipelines. “Achieving an agreement between the parties requires consideration of a number of commercial issues. First of all, supply of the necessary amount of oil requires the establishment of an oil quality bank,” SOCAR’s President Rovnag Abdullayev told journalists. He confirmed that Azerbaijan also sustained losses during the transportation of oil through Russian territory because Azerbaijani Light oil is exported from Novorossiysk under the Urals brand. “The company will continue oil deliveries [via Baku-Novorossiysk] in terms of the economic suitability of new [contract] conditions for SOCAR ... Otherwise, deliveries won't be implemented,” Abdullayev said. Abdullayev also claimed that SOCAR is ready to discuss other options with Russia, in particular the possibility of oil shipments from third countries and other oil transportation schemes. “There will be no problems with oil exports. We have the Baku-Tbilisi-Ceyhan route, Baku-Supsa and a railway,”

Abdullayev said, referring to existing pipelines to Turkish and Georgian ports on the Black Sea.

Transneft also said it might offer a new contract to Azerbaijan based on a “pump or pay” principle. A new contract would have to set a tariff, and under the principle of pump or pay Azerbaijan would pay even if it does not use the designated amount of capacity, and has been refused by Azerbaijani high-ranking officials. “It is up to Russia. If they do not like these conditions, for us there is no problem. We have nothing to lose,” Azerbaijan’s Energy Minister Natic Aliyev told reporters on the sidelines of a conference in Vienna. According to Aliyev, “We do not have enough oil [to pump the Russian pipeline] ... the most important is to fill our own pipelines, not to go to Novorossiysk.”

SOCAR made a counteroffer by suggesting that Russia uses the Baku-Novorossiysk pipeline in reverse mode. “The option of reverse use will be discussed in talks between SOCAR and Transneft. The pipeline will transport Russian oil to Azerbaijan. This oil can be refined in the future at a new petrochemical complex to be constructed by SOCAR, or exported in other directions,” Abdullayev said.

Russian oil is now considered for the oil refinery that SOCAR is planning to build in Tokmak, Kyrgyzstan. Supplies from Russia are possible without additional infrastructure, as Russia is currently the main oil supplier to Kyrgyzstan.