

# Central Asia-Caucasus Analyst

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*Central Asia- Caucasus Institute  
Silk Road Studies Program*



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# THE CENTRAL ASIA-CAUCASUS ANALYST

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**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.

## **Svante E. Cornell**

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# A CENTRAL ASIA WITHOUT THE WEST?

Richard Weitz

*The U.S. National Intelligence Council (NIC) recently released its fourth comprehensive assessment of the most important factors projected to shape world politics during the next two decades. Global Trends 2025: A Transformed World deliberately aims to force policy makers, such as those in the next U.S. administration, and other readers to expand their perceptions about alternative future environments. The study explores where international conflicts might occur, how different parties might be challenged, and the strategies actors might pursue under these novel conditions. Possible developments in Eurasia occupy an important place in the NIC study.*

**BACKGROUND:** One of the scenarios, “A World Without the West,” posits a situation in which the Shanghai Cooperation Organization (SCO) becomes the dominant institution in Central Asia. A Sino-Russian condominium over Central Asia emerges due to the failure of NATO to sustain its regional commitments. The United States and its European allies lose the will to maintain a military presence in Afghanistan and other Central Asian countries. Russia and China move to fill the resulting power vacuum—as well as to ensure their control over the region’s energy riches—while India, Iran, and other countries bandwagon with them.

“The Afghan situation threatened to destabilize the whole region, and we could not stand idly by,” the head of the SCO writes in his fictional 15 June 2015 letter to the NATO Secretary-General. “Besides Afghanistan, we had disturbing intelligence that some ‘friendly’ Central Asian governments were coming under pressure from radical Islamic movements and we continue to depend on Central Asian energy.” According to the posited SCO head, who is identified as a Russian national, “The Central Asians thought they could use the SCO for their own purpose of playing the neighboring big powers off against one another,” but the failure of the Western countries

to sustain their regional role undermined this strategy by leaving them at the mercy of Eurasia’s authoritarian great powers.

The NIC analysts consider this Eurasian scenario possible, though unlikely, if—as the report projects—the relative power and influence of China, India, and Russia continue to rise relative to that of the United States and Europe. Whereas the 2004 NIC study projected continued American global dominance with the acquiescence of most of the other great powers, the 2008 report stresses the constraints on U.S. influence due to ongoing globalization, the diffusion of military technologies, “an historic shift of relative wealth and economic power from West to East,” and other factors. A reinforcing trend is that demographic, economic, and other problems will decrease the relative influence of key U.S. allies in Europe and Asia. Slow economic growth, aging populations, and a lack of an effective unified foreign policy apparatus make it impossible for the EU to sustain its even currently low levels of defense spending, contributing to NATO’s inability to sustain its Afghan mission.

*Global Trends 2025* echoes the assessment of other analysts that, for Russia, “Controlling key energy nodes and links in the Caucasus and Central Asia—vital to its ambitions as an energy

superpower—will be a driving force in reestablishing a sphere of influence in its Near Abroad.” In this scenario, the Chinese government adopts an increasingly anti-Western foreign policy due to rising protectionism in Europe and the United States, a factor that alienates India as well. Sensing Western weakness, China, India, and Russia then adopt a zero-sum approach to the energy resources of Central Asia - “a repeat of the nineteenth century’s ‘Great Game’ with outsiders contending for the exclusive right to control market access.”

According to the NIC, Russia and China adhere to a “state capitalist” development model wherein the government largely directs national economic activity typically left to private sector market forces in traditional liberal democratic states. They believe that the success of this model, especially in the case of China, could induce other countries, including in Eurasia, to adopt the paradigm. Although these states’ common adherence to state capitalism would not by itself serve as the basis of a Sino-Russian alignment, mutual fear of further democratic revolutions also binds the Eurasian autocracies together within the SCO framework. The organization legitimizes Sino-Russian interventions into the internal affairs of Central Asian countries, allowing Beijing and Moscow to prop up compliant governments and suppress democratic opposition movements.

**IMPLICATIONS:** The emergence of a Sino-Russian condominium in Eurasia would have disastrous implications for world order. NATO and the SCO would come to be seen as two Cold War-type blocs divided, if not by ideology, than by enduring geopolitical and other cleavages. China, Russia, and Iran could use their pivotal position to monopolize the production and export of Eurasian oil and gas, leveraging government controls to manipulate for political advantage energy flows to Western markets.

However, the NIC recognizes that several factors make such a dystopia avoidable, perhaps not even likely. First, Russia will experience severe demographic problems. The overall Russian population is expected to decrease from approximately 141 million people today to less than 130 million by 2025. In less than a decade from now, Russia is projected to have only 650,000 18-year-old males. Even if they were all healthy and willing to serve in the military, the Russian armed forces currently employ 750,000 conscripts. Russian leaders have evinced a strong reluctance to allow for more non-Russian immigration, allocate the resources needed to develop a fully professional army, accept a substantial reduction in the size of the Russian armed forces, or take additional necessary measures to manage this demographic problem. In addition, the share of ethnic Muslims in the Russian population will grow from 14 percent in 2005 to around 19 percent in 2030 and perhaps 23 percent in 2050. Their willingness to participate in future counterinsurgency campaigns in the Muslim-majority regions of the North Caucasus or Central Asia is likely to prove extremely problematic.

Second, the Russian political system remains underdeveloped as well. One-party states under the control of a single dominant individual are prone to serious secessionist crises. In addition, the NIC analysts acknowledge that forecasting Russia’s trajectory is extremely difficult because of the uneasy coexistence of “liberal economic trends and illiberal political trends.” Furthermore, “Russia’s sensitivity to potential discontinuities sparked by political instability, a major foreign policy crisis, or other wild cards—makes it impossible to exclude alternative futures such as a nationalistic, authoritarian petro-state or even a full dictatorship, which not a probable but nevertheless plausible future. Less likely, Russia

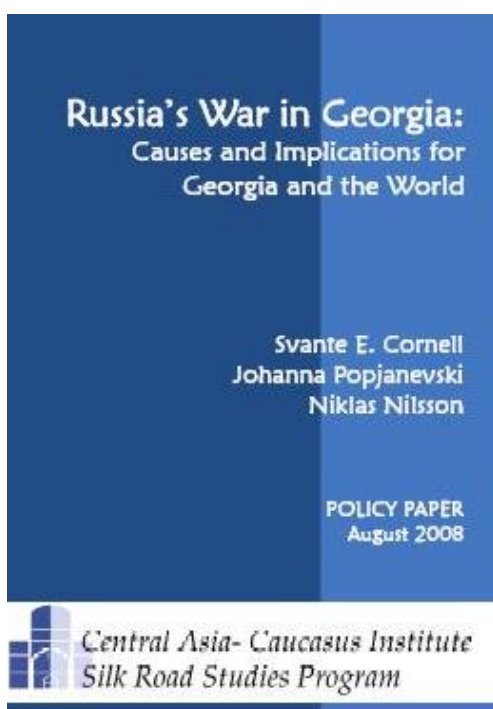
could become a significantly more open and progressive country by 2025.”

Under any of these scenarios, Russia is likely to present a challenging ally even for China’s notoriously ideologically indifferent ruling elite. Adverse demographic changes, a demand from rising economic sectors for increased political rights, and deteriorating relations with Japan or India might make it difficult for Beijing to project power into Central Asia. Moscow may react negatively should China - as present trends predict - possess the second-largest economy by 2025, which would provide Beijing with the wherewithal to acquire a much more powerful military. Conversely, a slowdown in China’s economic growth could lead Beijing to blame their problems on external forces. Either development could increase tensions between Russia and China, vitiating the SCO’s effectiveness.

**CONCLUSIONS:** *Global Trends 2025* alerts Western policy makers to the dangers of failing to sustain their commitment in Afghanistan. Not

only would an abrupt NATO military withdrawal risk leaving behind a sanctuary for drug lords and Islamist terrorists in the heartland of Eurasia, but Russia, China, and Iran might exploit the resulting vacuum to enforce their preferred regional and domestic political, economic, and social order over weaker Central Asian countries. The Obama administration, like its predecessor, has affirmed its commitment to “staying the course” in Afghanistan, and the U.S. military has recently announced plans for a troop surge in the region. Yet, doubts persist whether European countries will provide the necessary complementary support to maintain NATO’s long-term presence in Central Asia. The NIC warning will hopefully reinforce the effort of some Obama advisers to prioritize the Afghan issue at next April’s NATO summit in Strasbourg.

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New Policy Paper:

*Russia's War in Georgia*

By Svante E. Cornell, Johanna Popjanevski, and Niklas Nilsson

This Policy Paper provides a detailed chronology of the time leading up to the war in Georgia, as well as to the war itself, while providing an analysis of its implications for Georgia and beyond.

The Paper can be downloaded free at [www.silkroadstudies.org](http://www.silkroadstudies.org). Hardcopy requests should be addressed to Katarina Lesandric at [caci2@jhu.edu](mailto:caci2@jhu.edu).

# POST-WAR GEORGIA PONDERING NEW MODELS OF DEVELOPMENT

Archil Gegeshidze and Vladimer Papava

*After the August 2008 war with Georgia, Russia unilaterally recognized the independence of Abkhazia and South Ossetia and embarked upon setting up its own military bases in both Georgian breakaway regions. As a consequence, a new reality emerged. Unless the status quo ante of the August 2008 war is restored, Georgia will not only lose all hopes for the restoration of its territorial integrity but will also face greater difficulties integrating into Euro-Atlantic institutions. Under such circumstances, international experience suggests Georgia must choose a model of development which on the one hand will enable the strengthening of regional security and stability and, on the other, will ensure the protection of Georgia's national interests.*

**BACKGROUND:** Since the early 1990s, the separatist-controlled provinces of Abkhazia and South Ossetia, with the aid of Russia's military and political assistance, succeeded in escaping from Tbilisi's control. Simultaneously, Russia obtained the status of peacekeeper within the CIS format and deployed its "peacekeeping forces" in both regions. In fact, Moscow used these forces to maintain the security of its own puppet regimes. Although Moscow officially recognized Georgia's territorial integrity when a visa regime was introduced in its relations with Georgia in 2001, it exempted Abkhazia and South Ossetia from the visa regime. That was the Kremlin's first step to politically separate both breakaway regions from the rest of Georgia. Subsequently, residents of both regions were granted Russian citizenship and provided with Russian passports.

After the five-day war between Russia and Georgia in August 2008, Moscow unilaterally recognized the independence of Abkhazia and South Ossetia. It is noteworthy that after a number of Western nations had recognized the independence of Kosovo, the Kremlin did not even attempt to hide its own intentions

regarding Georgia's breakaway regions. Moreover, before the West's recognition of Kosovo, Moscow had repeatedly warned the world that Kosovo would set a precedent and would, therefore, provide a precedent for the recognition of the independence of separatist provinces in the post-Soviet area.

The world's leading nations strongly criticized Moscow's aggression against Georgia and the recognition of the independence of Abkhazia and South Ossetia. Despite this, it is practically unthinkable to expect that in the foreseeable future Moscow could reverse its decision. On the contrary, Moscow will take steps to keep its military bases there indefinitely. Thus, Georgia has found itself in a situation where it is likely to have a continued territorial dispute with a part of its own territory under occupation. Obviously, Tbilisi will never reconcile with the idea that its territorial integrity has been impaired and that two of its historic provinces have been taken away from it. The situation resembles something which Europe has experienced a number of times in its recent history.



Under the present conditions, Georgia needs to come up with a new model of development based upon international experience which will serve its national interests. From this standpoint, it seems that the cases of Finland, Serbia and Cyprus are the most relevant to consider. Each of these models has certain strengths and weaknesses.

**IMPLICATIONS:** Finland's experience is unacceptable to Georgia as a matter of principle. Under enormous military and diplomatic pressure from the Soviet Union, Finland had to make huge concessions in order to preserve its nominal sovereignty. Specifically, in the early 1940s, as a consequence of hostilities conducted in the context of World War Two, Finland had to yield ten percent of its territory to the Soviet Union. Despite the enormous price that Finland had to pay for peace, this country managed to maintain a course of political and economic development which made it one of the successful democracies of present-day Europe. This model could figuratively be labeled as "*stick without carrot*." For reasons of mentality and historical memory, it is unlikely that Georgian society could reconcile itself with the fact that Abkhazia and South Ossetia are lost for good. The country, then, can make no choice as regards its future development in exchange for the loss of its territories especially in consideration of the fact that nearly the whole world supports its territorial integrity.

Serbia's example is somewhat different. After February 2008, when the U.S. and leading European nations did not heed Belgrade's opposition and recognized the independence of Kosovo, Serbia began the accelerated process of its integration into Europe. Serbia, as one of the key countries in the Balkans, was practically

assured that it would be allowed to completely integrate with the European and the Euro-Atlantic organizations if this was what it wanted. Furthermore, the EU had already signed a Stability and Association Agreement with Serbia and talks are underway about the transition to a visa-free regime between Serbia and the Schengen zone.



(Getty Images)

At the same time, all are aware that without Serbia's recognition of Kosovo's independence, Serbia's integration with the European structures is unthinkable. Consequently, without this, no long-term peace and security may be ensured in the Balkans. In the meantime, even the most pro-Western political groups in Serbia are not ready to lose their hopes for the reintegration of Kosovo. This is exactly why the West has been trying to "drag" Serbia into the Europeanization process. The goal is to give Serbia an appetite for the intensification of this process and so long as it faces this dilemma, eventually to make Serbia give up Kosovo. Again figuratively, this case resembles a "*stick with carrot*." Although Serbia is promised many carrots for this decision, such as rapid integration with the EU, for the reasons mentioned while discussing the Finnish

case, this is a scenario which cannot be reproduced in Georgia.

The example of Cyprus appears to be the most relevant for post-war Georgia. More than 30 years ago, the northern part of the island, with huge Turkish military assistance, broke away from Nicosia followed by Ankara's recognition of the independence of the Turkish Republic of Northern Cyprus. No other country has followed Turkey's decision ever since. Meanwhile, strong democratic developments and market-oriented reforms in Cyprus enabled the country to grow in wealth, join the EU and, thereby, to become attractive to the once separatist-oriented dwellers of Northern Cyprus. In case of eventual reunification of the island, this case would definitely qualify as a "*carrot without stick*."

In the 21<sup>st</sup> century, the case of Cyprus might be rather promising for Georgia. The fact is that Brussels' initiatives towards Georgia are not limited to extending some financial assistance to Tbilisi. Brussels has announced its readiness for visa facilitation measures within the framework of the Eastern Partnership program, and to negotiate a free-trade regime with Georgia - thus, making Georgia's Europeanization process increasingly filled with content.

**CONCLUSIONS:** In the aftermath of the Russian aggression against Georgia and Moscow's recognition of the independence of Abkhazia and South Ossetia, the only choice for Georgia is to ensure its democratic development and sound market reforms as

prompted by the Cypriot experience. Furthermore, it is recommended that the EU, within the framework of the Eastern Partnership program, ties its political support and financial assistance to Georgia with the latter's success in democratic transformation. This strategy would ensure Georgia's rapid rapprochement with the EU.

The U.S. government, too, has to play an important role in encouraging Georgia to get closer to the EU. To this end, Washington and Brussels must work toward greater coordination of their efforts with respect to Georgia. Harmonizing the U.S. financial assistance to Georgia with the EU's assistance programs would work toward this goal. Making Georgia more EU-oriented should also be a priority for the International Monetary Fund and the World Bank. The conditionality of their programs must be in full harmony with those of Brussels in relation to Georgia.

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# ARMENIA: HEADING INTO ANOTHER TURBULENT YEAR

Blanka Hancilova

*2009 will be a turbulent year for Armenia. In 2008, the strong polarization of the political scene did not allow any solution to the internal deadlock to be found. In 2009, the government of Serzh Sargsyan will be increasingly under international pressure to improve its human rights and democratization record. The global financial crisis will not allow Armenia to sustain its relatively high levels of economic growth, which will put the government under additional pressure. Against this background, the internal political situation in will continue to be volatile and open to dramatic changes.*

**BACKGROUND:** The surprise candidacy of the first president of post-Soviet Armenia, Levon Ter-Petrosyan, in the February 2008 presidential elections and the fact that he managed to unite many forces in the otherwise highly fragmented opposition, hampered the ruling elite's plans for a smooth swap of positions between then-Prime Minister Sargsyan and President Robert Kocharyan.

The opposition challenged the announcement of Sargsyan's victory with street protests and sit-in demonstrations. On March 1, violent clashes broke out between the police and several thousand opposition supporters, leaving at least 10 dead. The government imposed a 20-day state of emergency, banned rallies and curtailed media freedom, while detaining more than a hundred opposition supporters. As of today, around 70 remain in detention and several have been tried on politically motivated coup charges.

In April, the ruling Republican party formed a broad coalition government with three major parties - Prosperous Armenia, the Armenian Revolutionary Federation (Dashnaktsutiun) and the Rule of Law party - and announced an ambitious economic reform program as a means of neutralizing protest voters. The fifth party in parliament, Zharangutyun (Heritage), remains

in opposition. The coalition has so far proven stable, despite disagreements rooted in the diverse ideological backgrounds of the coalition partners.

In June, the Parliament formed an ad hoc parliamentary inquiry commission investigating the March 1 events. The commission, comprised solely of ruling coalition representatives, was due to present its report in the fall, but has failed to do so. Meanwhile, it appeared that at least one sniper was among the security forces that clashed with opposition protesters in Yerevan on March 1, a fact so far denied by the police. A new five-member expert fact-finding group, this time with two representatives of the opposition, was established in late October. This group however is not authorized to publish its findings; these will be submitted to the parliamentary commission.

Following the Russian-Georgian war, Armenia had to perform a fine balancing act resisting Russia's pressure to recognize Abkhazia and South Ossetia. Despite the fact that Russia is by far the most important ally of Armenia, economic interests weighed in heavily: Georgia is landlocked Armenia's single most important trade outlet with over 70 percent of Armenian trade passing through the country.

At the same time, the unfavorable external situation further underlined the risk of Armenia's exclusion from major regional development projects and continuing isolation by Turkey and Azerbaijan. This prompted Armenia to take bold steps towards a rapprochement with Turkey, and in September Turkish President Abdullah Gul visited Yerevan. Initially, Armenia and Turkey strengthened their economic cooperation. Armenia plans to start supplying electricity to Turkey as early as in March 2009 and more direct trade cooperation is likely to follow. Ultimately, Armenia and Turkey could establish full diplomatic relations, but several issues are likely to hinder progress on the political front. While Turkey continues to condition the possible opening its border with Armenia with progress in the Nagorno-Karabakh peace process, the Armenian Diaspora along with the Armenian Revolutionary Front, a ruling coalition member, continue to precondition rapprochement with Turkey with the latter's recognition of the 1915 events as genocide.

their expected benefits materialize, help the government remain in power.

Until mid-October, the government and opposition continued to blame each other for not displaying genuine will for dialogue and there were no signs of any political solution to the internal crisis. The government continued its repressive policies against the opposition, which seemed increasingly weakened but yet capable of challenging the authorities. On October 17, during an opposition rally, Ter Petrosyan announced his decision to put a temporary halt to public protests. He justified the decision by the need not to undermine the Armenian efforts aimed at solving the Nagorno-Karabakh conflict and improving Turkish-Armenian relations. However, to many it seems that Ter Petrosyan simply had to find an honorable way to cease the protests, which were gradually attracting ever fewer supporters. In his speech to the rally, Ter Petrosyan strongly criticized the United States and other Western powers for turning a blind eye to government repressions in Armenia.



*(New York Times)*

**IMPLICATIONS:** The turbulent regional developments have on the one hand challenged the Armenian regime, and on the other, helped it to make some bold moves which may, in case

Indeed, at least initially, the international reaction to the flawed elections and heavy-handed suppression of the opposition was rather weak, but the international pressure seems to be mounting. In April, the Parliamentary Assembly of the Council of Europe (PACE) issued Resolution 1609, which called for consideration of the possibility of suspending the voting rights of the Armenian delegation to the Assembly at the opening of its June 2008 session, if no considerable progress had been made on numerous requirements listed in previous PACE Resolutions. At its June session, the PACE nevertheless effectively postponed the consideration of suspending voting rights until

its January 2009 session. This was widely criticized by the Armenian opposition and civil society, who felt that without international pressure, the Armenian authorities would not engage seriously in democratic reforms or a dialogue with the opposition.

However, on December 17, 2008, the Monitoring Committee of the Parliamentary Assembly of the Council of Europe concluded that political prisoners exist in Armenia and prepared a draft resolution suggesting to suspend the voting rights of the members of the Armenian parliamentary delegation to the Assembly “until the Armenian authorities have clearly demonstrated their political will to resolve the issue of persons deprived of their liberty in relation to the events of 1 and 2 March 2008”. In December the U.S. Millennium Challenge Corporation again refused to unblock some of its promised economic assistance to Armenia, indicating that the authorities in Yerevan have yet to address its concerns about “the status of democratic governance” in the country.

It remains to be seen whether PACE will suspend the voting rights of the Armenian delegation in January and more importantly, whether this would compel the Armenian government to improve its human rights record.

The regime also continues to keep a tight grip on the media, despite a European Court of Human Rights decision against the government in the A1+ television channel case. On June 7, 2008, the ECHR unanimously decided that Armenia had violated the European Convention on Human Rights by repeatedly refusing to state reasons for the decision against granting the channel broadcasting licenses and ordered the state to pay the applicant, Meltex Ltd, 30,000 euros for pecuniary and moral

damages. However, on September 10, the National Assembly, without any prior consultations with relevant stakeholders, adopted legal amendments according to which there will be no more tenders for broadcasting licenses until July 2010. The government had justified this by the necessity to expedite Armenia’s planned transition to digital broadcasting by 2012, but critics believe that the real purpose was to prevent A1+ from applying once again for a broadcasting license.

**CONCLUSIONS:** The regime of President Serzh Sargsyan may further consolidate its power internally, keeping a tight grip on the media and suppressing dissent. However, it is likely to face growing international pressure to improve its human rights and democratization record in 2009, as illustrated by the recent developments in the Council of Europe. This pressure will likely motivate the opposition to sustain its protests. The regime will also have to manage the fallout of the global financial crisis. Despite the fact that Armenia’s banking sector is not very integrated in the global financial markets, Armenia feels the global financial crisis indirectly. Several prominent U.S.-based Armenian Diaspora entrepreneurs have stopped or significantly scaled down their investments and operations in Armenia. Similarly, Russian investments, an important boost for the Armenian economy, are scaling down. Armenia’s seasonal labor migrants, most of whom have in the past found jobs in Russia, are now facing growing difficulties. As a result, the internal political situation in Armenia will continue to be volatile and open to dramatic changes.

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# CAN KAZAKHSTAN'S EDUCATION REFORMS DODGE THE GLOBAL ECONOMIC MELTDOWN?

Rafis Abazov and Galiya Ibrayeva

*In his annual address to the nation, President Nursultan Nazarbayev of Kazakhstan pledged that despite economic difficulties and falling oil prices, the government will fund all its education programs and ambitious initiatives in the field of higher education, and even increase teachers' salaries by 25 percent in 2009. These steps are in sharp contrast to the practice in many CIS countries, where education spending traditionally is the first to be cut in times of economic slowdown. But will Kazakhstan's ambitious education reforms withstand these difficult times intact?*

In his annual address to the nation, President Nursultan Nazarbayev of Kazakhstan pledged that despite economic difficulties and falling oil prices, the government will fund all its education programs and ambitious initiatives in the field of higher education, and even increase teachers' salaries by 25 percent in 2009. These steps are in sharp contrast to the practice in many CIS countries, where education spending traditionally is the first to be cut in times of economic slowdown. But will Kazakhstan's ambitious education reforms withstand these difficult times intact?

**BACKGROUND:** Kazakhstan's higher education system has undergone serious changes during the last decade, as the government increased its education budget seven-fold between 1999 and 2009, achieving the highest education spending in the Central Asian region in absolute terms. The spending was fueled by rapidly rising energy export revenues and reached an equivalent of about US\$4.7 billion in the 2008 fiscal year. The State Program on Development of Education until 2010 (SPDE-2010) envisioned ambitious goals, including an increase in student enrollment from 73,800 in 2001 to about 180,000 in 2008,

gradual decentralization of the higher education system, introduction of a western-style credit system, improvement of education standards, and an increase in international cooperation in the field of education.

Important among these changes were reforms in the evaluation and reward system and in salary scales, and introduction of a U.S.-style research grant system in order to encourage innovative research and development (R&D) at national universities. These reforms addressed the most painful legacy of the transitional reforms in the 1990s – chronic under-funding and neglect of the education system. For nearly a decade after 1991, most educators and education administrators were paid notoriously low wages and on many occasions their salaries arrived two or three months late. The low salaries and falling social status of teachers diverted young and bright graduates away from a career path in education; according to official reports, only one in 100 PhD graduates accepted jobs in the education and R&D fields. In addition, many highly experienced and qualified educators left the profession, haunted by poverty and deteriorating economic conditions. Many lecturers had no choice but to



supplement their meager salaries by working part-time in the private sector, engaging in private tutoring or in extreme cases accepting bribes in exchange for higher grading of students.

The positive social and economic climate of the last decade (1999-2009) allowed many problems that Kazakhstan's education had faced in the 1990s to be addressed, and much needed structural changes in the education system to be introduced. Practically all universities received access to the Internet and modern communication technologies, and funds to equip computer classes and to expand university libraries; for example, in 2008 the Kazakh National University (KazNU) alone received about 1.2 billion *tenge* (10 million US\$) for the renovation and IT equipment purchases, and an additional 6.2 billion *tenge* for new constructions in the KazNU campus. Importantly, the country experimented with the introduction of a three-cycle education structure – bachelor, masters, and doctorate programs – and pledged further reforms aligned with the Bologna Process concept. In addition, for several years the government has been funding invitations to foreign faculties to several flagship national universities and expanding its state-funded study-abroad program *Bolashak* from 300 (in 2000) to 3,000 (in 2008) students a year. Recently, the government announced the even more far-reaching SPDE-2020, committing itself to equip Kazakhstan's education system to meet internationally competitive standards.

**IMPLICATIONS:** The world economic crisis and the financial meltdown in Kazakhstan in 2008 negatively affected the country's ability of the country to fund and reform many public programs, including education. Kazakhstan's financial sector was particularly vulnerable to

the crisis as during the early 2000s, many of Kazakhstan's banks adopted U.S.-style risk-taking and invested heavily in real estate – both domestically and in the CIS as a whole. As the real estate sector tanked in 2007 and 2008, many private borrowers and small and medium enterprises (SMEs) experienced difficulties in repaying their loans. The country's entire banking system was on the verge of collapse and only a massive multi-billion dollar bailout by the government brought some sense of stability. Nonetheless, economic growth has definitely slowed down, and with it, spending on many state-run programs.



(European Commission)

In the era of globalization, no country can be safe from exposure to international crises and global recession, but it is small and medium countries that usually pay the full price for the mistakes of big players. As in many countries around the world, education in Kazakhstan is among the first sectors to have been hit particularly hard, experiencing pressures on many fronts. First, there is a significant pressure to cut funding for some of state education programs and to downsize subsidies for R&D, although so far the government has resisted such measures and promised to fund salary hikes in both 2009 and 2010. Second, there

is considerable pressure on the reform efforts, as government and public attention is diverted to other pressing issues related to the economic problems, and education reformers receive less high-profile support in their efforts to keep the reforms rolling. Third, there is pressure on poor and even middle-class families to slash education spending on their offspring, a move that would inevitably hurt all 140 universities across the country, but especially the small, tuition-dependent universities. True, according to the Constitution, higher education is still free for the citizens of Kazakhstan, but the government fully funds only one-fifth of the country's students every year and the remaining students have to look for other funding sources or pay from their own pockets. Most families have to fund the education of their sons and daughters from their family budgets, if their children for any of various reasons are unable to get the highest scores in the Unified National Test (UNT). Even those students who receive full tuition funding from the state need substantial support from their families in order to cover living expenses. Fourth, there is strong pressure on private companies and corporations, which due to the financial meltdown have less money to spend on training and retraining purposes and on funding R&D and the education of their staff members.

**CONCLUSIONS:** International experience, particularly the experience of industrialized western countries, suggests that in a period of economic difficulties, education is often a solution for retraining for new jobs or a temporary refuge to steer the turbulence in the labor market. As labor market conditions change due to technological changes, industrial restructuring, globalization or economic recession, workers can indeed improve their

position in the market by acquiring new skills and knowledge or changing profession altogether. In the market economy, the labor market is often deregulated and it is vital for workers to stay competitive. Unfortunately, the Kazakh colleges and universities lack the flexibility and independence to quickly respond to the rapidly changing labor market environment and demands in the emerging sectors of the economy.

Therefore, the Kazakh government should give the national universities more freedom in introducing new courses and new curricula and in planning and spending their budgets. Second, not only should it focus on increasing the number of undergraduate and graduate programs but also on short-term training and retraining and professional development programs. Third, the universities should also adjust to the changing environment by developing and strengthening their career centers, career-development departments and counseling services to provide assistance to workers who decide to change their career path due to layoffs or new job opportunities, or for other reasons.

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## FIELD REPORTS

### ARMENIA AND IRAN AGREE ON NEW COMMUNICATION PROJECTS

*Haroutiun Khachatrian*

After successful completion of the large common project of the Iran-Armenia gas pipeline, the two countries have agreed to extend their cooperation further. During the regular meeting of the Iranian-Armenian intergovernmental commission on December 13-15, 2008, the parties reached initial agreement on the realization of several new joint projects.

First, the construction of a railroad connecting Armenia and Iran, as the current rail link between the two countries which runs through the Azerbaijani exclave of Nakhichevan, has been blocked for almost twenty years now. Iran has expressed readiness to build with its own funds the stretch of the railroad on Iranian territory between the northern Iranian city of Tebriz and the border of Armenia (in reality, only 70 kilometers of new railroad may be needed from the Julfa station along the border of Iran with Nakhichevan and southern Armenia). As for the Armenian part of the railroad, its projected length is 447 kilometers. It will run from Meghri in southern Armenia to the railway station of Gagarin north to Lake Sevan. The estimated cost of the railroad, which will pass mostly through mountainous regions, is between US\$1.5-2billion, and the construction will take at least five years. Iran has expressed readiness to contribute to the financing of the Armenian sector of the road, and Armenia is looking for other investors as well. China, which is also interested in opening this unique transport link connecting the Gulf region with the Black Sea and Russia, has also been offered to join the project, which is now being analyzed in Beijing. In addition, the Asian

Development Bank has expressed interest. In December 2008, ADB provided a US\$1 million grant to Armenia for performing a feasibility study of the Armenian sector.

Second, the construction of a pipeline for oil products (petrol and diesel fuel) from the Iranian refinery at Tabriz to Armenia. This project will cost US\$200-240 million, and it will take no more than two years, as up to 70 percent of the 250 mm pipeline will run parallel to the existing Iran-Armenia gas pipeline. A joint venture with equal shares of the two countries will be created to implement the project, and construction works are planned to start in the spring of 2009. In addition, works on increasing the capacity of the Tabriz refinery have reportedly started. The pipeline will end at the terminal to be built near the village of Yeraskh in Ararat marz (province) in Armenia, north of the Nakhichevan exclave. Yeraskh was previously mentioned as the site for the oil refinery plant, presumably a joint project of Armenia, Russia and Iran. That project has now been suspended, but the Armenian government says it hopes to return to it when it becomes more commercially viable (especially as the future refinery is expected to process crude oil from Iran).

Third, pushing projects aimed at increasing exports of electricity from Armenia to Iran. The previously prepared projects for building a hydropower station on the Araxes border river and a new high-voltage power line will be started in the near future. The plans of exporting Armenian electricity in exchange for supply of Iranian natural gas may be enacted soon.

Fourth, Iran and Armenia have also expressed readiness to cut trade barriers in their mutual trade. This is a goal Armenia has been pursuing for a long time, as Iran is a potentially important market for Armenian goods. Now the process is likely to accelerate as Iran is set to join the World Trade Organization.

These projects, when started, will significantly contribute to the economy of both countries. Iran is will gain, along with some increase in exports, some impetus in its goals of activating the north-western regions. The gains of Armenia will be even more significant. The large infrastructure projects will stimulate economic activity during the upcoming economic crisis. In addition, implementation of these projects will provide Armenia with alternative railroad access to outside markets, and also an

alternative source of fuel. Currently, Armenia's only railroad access is through the territory of Georgia, which provides for 70 percent of its foreign trade turnover. This is also the route for most fuel in the country, as currently Armenia's only alternative to the Georgian route is one low-capacity motorway connecting it with Iran. The war in Georgia in August 2008 showed that communications through this country are highly vulnerable, and the implementation of the above-mentioned projects is of strategic importance for Armenia's economic security. Finally, the future railroad will make Armenia a transit country in the north-south direction, connecting the Gulf region with the Black Sea region and Russia.

## TAJIK CLERIC: SALAFISM MAJOR SECURITY THREAT

*Alexander Sodiqov*

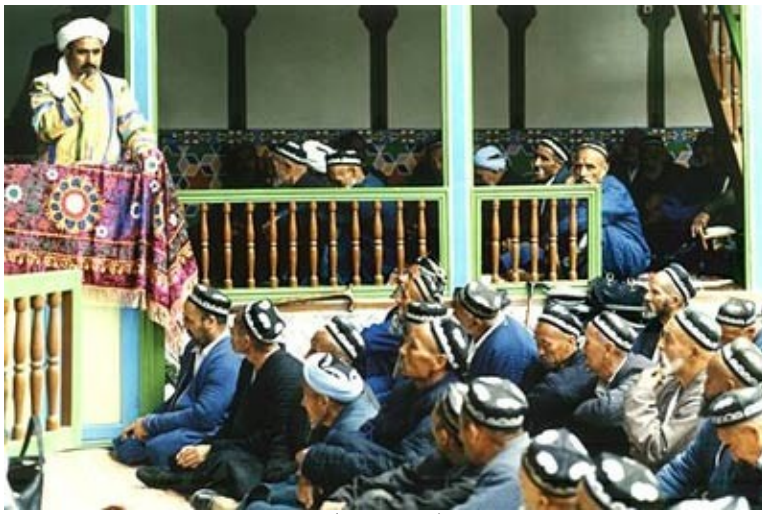
Speaking at a conference in Dushanbe on 18 December, the prominent Tajik cleric and parliamentarian Hoji Akbar Turajonzoda said that the growing influence of the Salafi religious movement represents a major long-term threat to the country's security. Turajonzoda's statement reflects a growing concern by both Tajik authorities and mainstream Islamic groups within the country over the rapidly growing influence of the Salafi ideology in Tajik society. Salafi activists, who advocate a return to the "purest" early practice of Islam, claim that they have up to 20,000 followers in the country. Although Salafis have so far avoided major confrontation with mainstream religious groups and authorities, experts warn that this might change as the Salafi ranks grow.

Turajonzoda said the emergence of Salafism in the country closely resembles the early development of the Taliban in Afghanistan. According to the cleric, Taliban activists in the early 1990s also claimed loyalty to the ruling regime and helped the Afghan

authorities counter crime and other social ills. However, as the Taliban movement grew stronger, they began to demand power and eventually took over the country. The cleric warned that Salafis might also start competing for power in Tajikistan if the movement grows unabated.

The Tajik authorities and mainstream Islamic groups, which were initially careful not to openly criticize Salafis, have lately spoken about the need to curb the further growth of the movement in the country. Their resentment of Salafism has been caused mainly by its exclusionism and denunciation of other kinds of Islam, including Sufism and Shi'ism, which have strong roots in some parts of Tajikistan. Partly due to this exclusionist rhetoric, Tajik high-ranking officials and clerics frequently use the term Salafism interchangeably with Wahhabism.

Speaking on the condition of anonymity in November, a western diplomat said in an interview to the Tajik newspaper *Najot* that the emergence of



(Asianews)

the Salafi movement is a sign of a healthy competition between different ideologies in Tajikistan. The diplomat suggested that the national authorities' resentment of Salafism is caused by their inability to control the movement.

However, Turajonzoda suggested that Salafism is different from other non-conventional Islamic movements in Tajikistan. According to this major leader of the Tajik Islamic opposition in the early 1990s, Salafis are better organized and in the long run more dangerous than the Wahhabis which have been discredited among ordinary Tajiks because of their involvement in the 1992-97 civil war in the country.

"The Wahhabi followers in the early 1990s were the rural youth who became influenced by Saudi religious literature and had little guidance," Turajonzoda said. "The Salafis, however, are an external force, funded and organized from abroad".

Most Salafi activists, including the leaders of the movement in Tajikistan, are young men educated in Pakistan and Arab countries. They very rarely speak in public. With big beards and trousers rolled up, they look different from the followers of Hanefism, the more liberal kind of Sunni Islam practiced by the majority of population. Salafis disseminate their ideology in brochures, books, on audio and videotapes available broadly in mosques and on the streets. Many of them have recently been successful in launching small and medium businesses in Dushanbe and in regional centers.

However, the majority of those who call themselves Salafis come from impoverished rural areas and often lack education and formal employment. Turajonzoda said about 80 per cent of Salafis are young, poorly educated men who had joined the movement because of the scarce knowledge and understanding of Hanefism and Islam in general.

Part of the blame for the increasing influence of Salafi ideology among the Tajik youth, according to Turajonzoda, lies with the country's education authorities. In a number of public appearances earlier in December, the cleric accused the Tajik Ministry of Education of "misinterpreting the truth" about Islam in schoolbooks and the curricula. Turajonzoda said many textbooks distort the underlying values of Islam by portraying the Prophet Muhammad as a political figure, and the religion of Islam as a product of his imagination and political opportunism. This undermines the influence of mainstream Hanefi brand of Islam in society and leaves much room for radical ideologies. The politician suggested that a major overhaul of the national school curricula, based on the population's Islamic values and beliefs, will help curb the rising influence of Salafism in Tajikistan.

Turajonzoda said much will depend on the attitude by the Tajik government towards Salafism. The national authorities have lately appeared keen on curtailing the growth of the movement by supporting mainstream Hanefi ideology. In September 2008 President Emomali Rahmon spoke about the need to raise popular awareness about the underlying values of Islam. He also announced that 2009 will be the year of Abu Hanifah, the founder of the Hanefi brand of Islam. However, the effect of these policies remains limited as, in contrast to these efforts, the Tajik authorities continue to close down "unregistered" mosques and enforce a strict policy outlawing the Islamic headscarf in government offices and public schools.

## PARLIAMENTARY ELECTIONS IN TURKMENISTAN

*Chemen Durddiyeva*

On December 14, 2008, the population of Turkmenistan went out to cast their votes for representatives of the Turkmen Parliament, *Mejlis*. Although the voter turnout reached over 90 percent of all eligible voters, the majority of voters remain highly skeptical of any changes the elections might bring.

At 8 a.m. in the morning, all 2,100 polling stations were declared open, accompanied by lavish music and dance festivities nationwide. Additionally, 27 polling stations were opened abroad in Turkmen embassies. The local media coverage of elections appeared to give the impression of people celebrating a holiday rather than voting for any positive change in the country. Holding the first parliamentary elections since the past president Niyazov's sudden death in late 2006, Berdimuhammedov described the parliamentary elections as a "departure from the past" in light of his so-called "Era of Great Revival" for the Turkmen.

Promising a more liberal life for the country and promoting legal reforms, President Berdimuhammedov initiated a new constitution which was approved in September 2008 and restored certain legislative powers to the parliament. The new constitution abolished certain privileges of Niyazov's rubber-stamping People's Council and transferred some of these to the *Mejlis* and also increased the number of MPs from 50 to 125. Theoretically, parties other than the Democratic Party of Turkmenistan formerly headed by Niyazov, could participate in parliamentary elections, but since the elections take place in single-seat constituencies, the émigré group opposition parties have no chance of registering inside the country or gaining seats in the *Mejlis*. Therefore, due to the nonexistence of alternative campaigners with a different platform, a landslide victory was guaranteed for candidates from the Democratic Party of Turkmenistan favoring the current administration's policies.

Unlike last year's presidential elections that brought Berdimuhammedov into office, there was no competition or heated election campaign among the candidates ahead of these parliamentary elections. In many of the polling stations the voters claimed they had never seen or heard about the candidates whose names were enlisted on the ballots. Upon the condition of anonymity, certain campaign organizers even revealed that specific individuals running for parliament were "predetermined" to win the elections and were ready to move out to Ashgabat to take their seats in the *Mejlis*. In some rural areas, the process of voting turned out similar to a theatrical play in which the triumph of a hero is predestined in the end.

Referring only to a limited number of voting districts in central cities, government sources rushed to pronounce the "triumph of democratization" by declaring the elections as free and transparent. According to state information agency (TDH), a total number of 2130 national observers and 60 foreign observers monitored the elections. Within this context, the mere presence of the monitors from the OSCE's Office for Democratic Institutions and Human Rights (ODIHR), UN and CIS enabled the authorities to claim that the international community confirmed the legitimacy and transparency of the elections. Sergey Lebedev, Chairman of the CIS executive committee and also the chief of CIS election monitoring team spoke to local TV and praised the elections as "competitive, transparent and also met the requirements of Turkmenistan's national legislation as well as those of international norms."

The fact that international election observers were invited to Turkmenistan for the first time is a sign of progress. But on the other hand, the orchestration in advance of the very election process is much in line with old practices. As this is clearly witnessed by the public and aggravated by the lingering mentality of a 'one-man-rule' system, it seems that the population's skepticism is justified.

## FEARS OF FINANCIAL SYSTEM COLLAPSE IN KAZAKHSTAN

*Roman Muzalevsky*

The overexposure of Kazakhstan to the retail and construction sectors and significant dependence on foreign loans in the context of the decline in oil prices coupled with the financial crisis has made the country's banks extremely vulnerable. As the global crisis deepens and the credit crunch continues, Kazakhstan's reserves might not cope with the expected second wave of the crisis that could soon trigger a collapse of the country's banking system.

The World Bank is concerned that Kazakhstan might become the second country after Iceland to witness the collapse of its financial system. In its Prospects for the Global Economy report, released on December 9, it is stressed that, based on credit-default swap prices and the availability of only US\$15 billion to stabilize the situation, Kazakhstan is the second most likely country to face "severe banking disruptions" in the near future.

Increases in private debt flows to Kazakhstan's private sector in 2007 produced credit growth and inflation. In 2008, however, these flows decreased by US\$13.2 billion, leaving the state's banking sector short of liquidity, vital for preventing its expected collapse. The banking industry is "shrinking as a sector," says Michael Carter, chief executive of Visor Capital investment bank in Kazakhstan. The World Bank reports that 6 economies from Europe and Central Asia have witnessed extreme financial deterioration in terms of exchange rate depreciation, increase in spreads, and equity market declines. The equity market in Iceland, for instance, is down by 85 percent, in Russia by 76 percent, and in Kazakhstan by 70 percent.

According to the Wall Street Journal, developing countries have yet to experience the impact of the global crisis to be accompanied by bank failures. Kyrgyzstan's Minister of Economy Akylbek Japarov already warned of Kyrgyzstan's financial

collapse. Standard & Poor's and Moody's recently lowered the credit ratings of Kazakh banks following the collapse of the Rencasia Index for Central Asia in September. Moody's also warned about the country's risky market and put Kazakhstan on its list of "high caution" countries.

Kazakhstan lacks borrowing opportunities due to the world credit crunch. Considering that its banks heavily depend on foreign loans, the Government may not come up with the resources to avert the forecasted financial collapse. Kazakh banks have faced a sharp increase in overdue liabilities on their \$40 billion foreign loans, and the crisis of liquidity could soon become a crisis of insolvency, the Euromoney journal observes. Initially in the range of 1.5-3 percent, the overdue liabilities are currently in the 7-8 percent range, but the figure may be 15%. BTA bank, the largest, has \$1.26 billion in overdue loans, Kazkommertsbank - \$2.8 billion, Alliance Bank \$725 million, and ATF \$700 million. B. Baishev, chairman of the Association of Kazakh Banks, reported on the gravity of the situation: "On May 2008 the deposits of individuals totaled US\$12 billion US\$. In other words, the Kazakh banks will have to annul all deposits of the people in order to pay out foreign debts!" Indeed, the Central Bank's US\$20 billion and the National Oil Fund's US\$15 billion are insufficient to deal with the magnitude of the crisis. The recent collapse of the Alliance Bank has provided further shocks to the financial system.

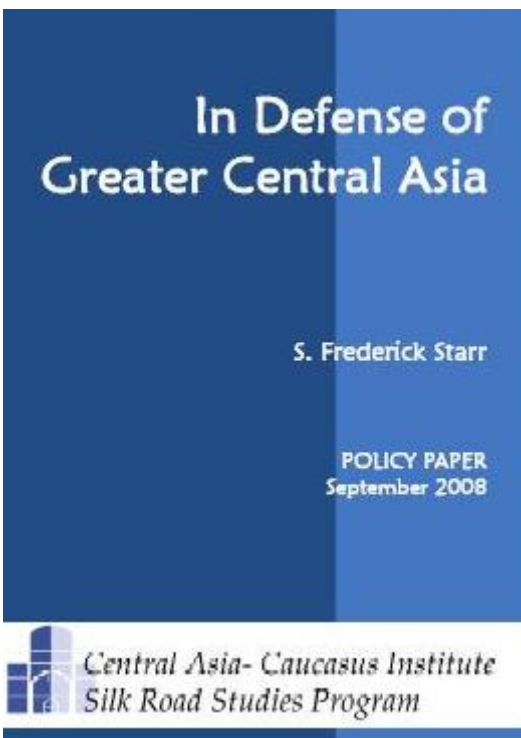
Liquidity shortages, 20 percent inflation, and a weak currency might well generate social and political instability in the country. The banking crisis will reduce Kazakhstan's investments in the region, making Kyrgyzstan and Tajikistan currently facing account deficits and energy crises particularly vulnerable. The ensued construction and retail sector failures will also decrease remittances of

migrants working in Kazakhstan. Remittances in Tajikistan alone constituted 36 percent of the country's GDP in 2007. The regional growth, propelled by Kazakhstan's impressive growth, will decline from 5.3 percent in 2008 to 2.7 percent in 2009 due to falling investments, tight financing conditions and weaker exports.

President Nursultan Nazarbayev has already pushed for a financial law to stabilize the market, intending to forbid banks from increasing mortgage rates for 3 years. US\$15 billion will also be released to provide liquidity. The rescue package "will allow us to avoid...a sharp deterioration of the situation, which will enable Kazakhstan to survive the global crisis with a renewed, stronger and more competitive economy,"- stressed Prime Minister Karim Masimov. The Government promised \$2 billion for BTA Bank, \$300 million for Kazkommertsbank, and \$500 million for both Halyk and Alliance Bank. Aitolkyn Kurmanova of the Central Asian Institute of Economic Strategies is skeptical about the measures given the size of the

banks' foreign debt. Alliance Bank Chairman Dauren Kereybayev, however, is optimistic about further effects of the crisis: "Even if there is a second wave, and there will be one, it should not affect us...Once [Kazakh banks] refinance their debt, there will no longer be such indiscriminate issuance of loans."

The most developed in the CIS after Russia, Kazakhstan's banking system faces a possible collapse. The substantial involvement of Kazakh banks in retail and construction sectors and high dependence on foreign loans in light of worsening credit crisis and declining oil prices have put the country at serious risk. The expected collapse could not only trigger domestic unrest, but also lead to severe economic downturn in the region. The ability of Kazakhstan to bolster its financial system will determine the success of the country's economic performance and Central Asia's future growth.



New Policy Paper:

*In Defense of Greater Central Asia*

By S. Frederick Starr

The idea of an open Greater Central Asia that is an economic and transport center rather than a periphery, and a self-determined subject of international affairs rather than a pliable object, stands in contrast to the territorial colonialism of yore and to the energy-driven colonialism which threatens the region today.

The Paper can be downloaded free at [www.silkroadstudies.org](http://www.silkroadstudies.org). Hardcopy requests should be addressed to Katarina Lesandric at [caciz@jhu.edu](mailto:caciz@jhu.edu).

## NEWS DIGEST

### KAZAKH POLICE CLASH WITH PROTESTERS ON INDEPENDENCE DAY

16 December

Some 400 protesters have clashed in Kazakhstan's commercial capital, Almaty, with security forces after police tried to detain the leader of the demonstration, RFE/RL's Kazakh Service reports. The group was protesting unresolved housing issues and demands that the government resign. The clash on Republic Square occurred when police tried to arrest protest leader Ainur Kurmanov, who heads an unregistered NGO dealing with the housing crisis. Kurmanov told RFE/RL from the police station that the protesters wanted to commemorate the victims of a December protest in 1986, when Soviet forces cracked down on a student protest in Almaty. Kazakhstan marks the 17th anniversary of its independence on December 16. (RFE/RL)

### KAZAKH ENERGY SECTOR OPENS UP

16 December

The state-owned oil and gas company in Kazakhstan, KazMunaiGas, moved on projects involving local firms for the first time in corporate history. KMG signed along with local developers and investment firms joint documents involving the development of the Mertvyi Kultuk offshore oil field. The deal is the first time KMG has reached out to national investors, testing the ability of Kazakhstan to explore its continental shelf without foreign assistance, the European weekly New Europe noted Tuesday. "This is the first national project where the investors get involved in the oil operations at the stage of geological survey," said KMG President Kaigeldy Kabyldin. Meanwhile, a trilateral deal involving KMG, ConocoPhillips and Abu Dhabi's Mubadala Development Co. is the first time Arab investors have moved on Kazakh reserves available on the offshore Nursultan oil field in the Caspian Sea. The developments come as Kazakhstan and Azerbaijan, both emerging as key energy hubs for Europe, moved on the basic foundations of the 435-mile Trans-Caspian pipeline network. The Trans-Caspian network will bypass Russia, bringing

Kazakh oil from the Kashagan oil field to the Baku-Tbilisi-Ceyhan pipeline to Europe. (UPI)

### KAZAKH OPPOSITION PROTESTS DEVELOPMENT OF ALMATY SQUARE

19 December

Dozens of protesters from Kazakhstan's Azat opposition party have picketed the Almaty mayor's office demanding that construction going on under the city's Square of the Republic be stopped. The Almaty city administration has been building a shopping and entertainment center under the square for many months. Azat party leader Bolat Abilov read out his party's petition demanding an immediate stop to all construction work, the restoration of the square's original look, and for it to be renamed Independence Square. Abilov said it is improper to have an entertainment center under the square, which was "soaked with the blood of Kazakh youth in December 1986." Kazakhs are currently marking the 22nd anniversary of a mass student protest against the Kremlin that was violently broken up by the Soviet regime in 1986. (RFE/RL)

### TURKISH FOREIGN MINISTER SAYS ARMENIA APOLOGY COULD HURT DIPLOMACY

19 December

Turkey's Foreign Minister Ali Babacan has said a controversy over an apology by Turkish intellectuals for the mass killings of Armenians in World War I could hurt efforts to improve diplomatic ties with Armenia. His comments came on the same day Turkey's powerful generals said they opposed the Internet initiative, which has also drawn criticism from Prime Minister Recep Tayyip Erdogan and nationalists. "This is a sensitive issue for Turkey. There is a negotiation process going on [with Armenia].... This kind of debate is of no use to anyone especially at a time talks continue and it may harm the negotiation process," Babacan was quoted by the Anatolian news agency as saying. On December 17, Erdogan said the campaign, which has tested one of Turkey's most sensitive taboos, had no

other benefit than "stirring up trouble, disturbing our peace, and undoing the steps which have been taken." President Abdullah Gul has hailed the initiative as proof of Turkey's democratic health. He became the first Turkish leader to visit Armenia in September as Turkey sought to end almost 100 year of animosity. Turkish and Armenian officials have expressed hopes of restoring full diplomatic relations soon. Turks, including Nobel Prize-winning author Orhan Pamuk, have been prosecuted in the European Union candidate country for affirming that the mass killings of Armenians in 1915 amounted to genocide. Turkey accepts that many Armenians were killed during the waning years of the Ottoman Empire, but rejects Armenian assertions, backed by Western historians, it was genocide, saying that Muslim Turks also died in interethnic conflicts. The apology, which avoids the word genocide and uses instead the term great catastrophe, has reignited a debate that challenges one of the ideological foundations of modern Turkey. It comes at a time of heightened nationalism in Turkey. Organisers have said the initiative, posted on the Internet (<http://www.ozurdilivorus.com>) along with a nonbinding petition to gather signatures, was meant to allow Turks to offer a personal apology and to end an official silence. It has been signed by 200 intellectuals. (Reuters)

## **EX-UN ENVOY RAPS GEORGIAN LEADER, JOINS OPPOSITION**

**25 December**

Georgia's former ambassador to the United Nations, until recently an active member of President Mikheil Saakashvili's team, said on December 24 he was joining the opposition and called for an early election. Irakly Alasania, who regularly polls among the Caucasus nation's most popular public figures, accused Saakashvili of autocratic decision-making and failing to avoid a war with giant neighbor Russia in August. "There were ways to avoid the war with Russia. Responsibility for dragging Georgia into this provocative war rests with Georgia's president," he told a news conference. "I think the crisis in our country was caused by authoritarian leadership, a chaotic decision-making process as well as absence of a transparent governing system." But he also said that the war had been triggered by "a provocation prepared by Russian security and military services." In the past, Alasania has worked as Saakashvili's diplomatic and security adviser, holding the post of Georgia's envoy

in talks on its rebel Abkhazia province and working on the National Security Council. Russia says it was forced to react in August after its peace-keepers and civilians came under fire when Tbilisi attempted to retake its rebel pro-Moscow South Ossetia province by force. Western governments originally criticized Russia's response as "disproportionate," but a freeze on European Union and NATO ties with energy power Russia was reversed months later. Several former close allies of Saakashvili have swapped sides. Nino Burjanadze, a co-author with Saakashvili of the 2003 "Rose Revolution" that brought down longtime leader Eduard Shevardnadze, last month formed her own opposition party. (Reuters)

## **AZERBAIJANI PARLIAMENT APPROVES REFERENDUM ON PRESIDENTIAL TERM LIMIT**

**26 December**

Azerbaijan's parliament has voted overwhelmingly to hold a referendum early next year to remove the limit on presidential terms, potentially extending four decades of dynastic rule in the oil-rich state. The parliament voted 100 to 7 to hold a referendum on March 18 on proposed constitutional amendments that would remove the two-term limit on the president. The move would allow incumbent President Ilham Aliyev to stay in power when his mandate expires in 2013. Parliament deputy Ali Ahmedov, who is also the executive secretary of the ruling Yeni Azerbaijan Party, told parliament that if the constitutional change takes place, it wouldn't harm democracy in the country. "The number of presidential terms is not a democracy issue," Ahmedov said. "If the president is elected once, twice, or three times, it's not a democracy issue, but a legislative issue." Last week, the parliament overwhelmingly backed the proposal to lift a ban on a third presidential term. And on December 24, the Constitutional Court ruled in favor of the legality of the referendum. (RFE/RL)

## **GAZPROM, TURKMENISTAN IN PIPELINE DEAL**

**26 December**

Russian energy monopoly Gazprom agreed to a deal with Turkmenistan for greater control over a Central Asian gas pipeline, a statement said. Gazprom and Turkmenistan reached a deal for Gazprom to gain greater rights to use the Central Asia-Center pipeline network to bring more natural gas to Russia, Gazprom said in a statement. The



CAC consists of five pipelines traversing Turkmenistan via Uzbekistan and Kazakhstan. Construction of a western branch through Turkmenistan will contribute to the transportation of natural gas from the Caspian Sea east. Gazprom said 1.1 trillion cubic feet of natural gas per year will come from Turkmenistan, with another 353 billion cubic feet per year from Kazakhstan. The energy giant in July finalized an agreement to invest in the energy sector in Turkmenistan, pledging to back pre-development projects on a branch of CAC. Meanwhile, Turkey's Hurriyet said Gazprom has told Ankara the country could get natural gas supplies at a discount on par with other regional importers. Hurriyet said an unnamed Gazprom spokesman said Turkey was rewarded for paying its gas costs promptly, an affront to Ukraine, which has been in a row with Russia over outstanding debt. (UPI)

### **INDIAN FIRMS WILL BUILD TAJIK LINES**

**29 December**

Indian companies KEC International Ltd. and RPG Transmission Ltd. will build power lines in Tajikistan. The two companies won a tender to build the electricity transmission lines in Tajikistan that will connect the Sangtuda-1 hydroelectric power station to Tajikistan's border with Afghanistan, the Khovar news agency reported. KEC and RPG will build the 118-kilometer electricity transmission line from the Sangtuda-1 hydroelectric power station to the Afghan town of Pol-e Khomri for \$19 million. The Asian Development Bank and the OPEC fund for international development will allocate money for the project. Construction is expected to begin in late January. (UPI)

### **AZERI OIL EXPORTS REACH 9 MILLION BARRELS**

**29 December**

Crude oil exports from Azerbaijan topped 9 million barrels in November, bringing some \$627 million in profits, state reporting agencies said Monday. The State Customs Committee said more than 75 percent of exports came from the Azerbaijan International Operating Co., with the State Oil Co. of Azerbaijan Republic rounding out the remaining volume, the Azeri Business Center reported. Pipelines in the region accounted for 211.7 million barrels of oil exports as of Dec. 1, with rail transport accounting for more than 14 million barrels during the same period. The committee report said 9.1

million barrels traveled through the Baku-Novorossiysk oil pipeline and another 2.6 million transited through the Baku-Supsa route. The Baku-Tbilisi-Ceyhan pipeline, the second-longest in the world, transferred nearly 200 million barrels to export markets, the report said. (UPI)

### **BANK OF GEORGIA RECEIVES USD 39 MLN OPIC FINANCING**

**29 December**

Bank of Georgia, the largest bank in the country, said on December 29, it had received a USD 39 million financing package from the U.S. Overseas Private Investment Corporation (OPIC). Nika Enukidze, chairman of BOG's supervisory board, said the package would enhance the bank's lending capabilities. The financing is part of OPIC's USD 176 million project, which the agency announced in October to finance seven projects in Georgia. As part of this USD 176 million package, OPIC and Georgia's second largest bank, TBC Bank, signed a memorandum, in October on allocation of USD 40 million to finance long-term mortgages, as well as small and medium sized businesses. Meanwhile, both BOG and TBC Bank have confirmed that they had to cut jobs because of declined lending related to both banks' tightened credit standards and less demand from clients. BOG said that it had cut 830 jobs, mainly in retail services, which reportedly is roughly 20% of the bank's personnel. TBC Bank confirmed cutting of 300 jobs - 10% of its workforce; unofficial reports, say that the bank plans more job cuts. International donors at the Brussels conference in October have pledged a total of USD 850 million to support Georgia's banking sector. Donors have pledged total of USD 4.5 billion assistance for Georgia following the August war. "The banking sector has weathered the immediate impact of the conflict, but near-term post-conflict challenges remain," the needs assessment document, based on which the donors made their pledges, reads. Key Georgian banks face USD 500 million external obligations falling due in early, 2009. And the refinancing needs of the banking sector to roll over liabilities and to provide for support for the moderate growth scenario being supported by the standby arrangement, tentatively amounts to about USD 700 million through 2009, according to the document, drafted by the World Bank-led assessment team. There are total of 22 commercial banks in Georgia with BOG 32.9% of market share in total assets, followed by TBC Bank with 23.7%; Bank Republic-Societe Generale Group - 7.9%;

ProCreditBank – 7.4%; VTB and Cartu Bank 5% each; with the rest of the banks having total of about 18% of market share in total assets. (Civil Georgia)

## **AZERBAIJAN WON'T RENEW THREE LICENSES**

**30 December**

Azerbaijani broadcasting licenses for Radio Liberty, Voice of America and the BBC will not be renewed, a government official said Tuesday. Nushirevan Meherremli, the National Council of Television and Radio Broadcasting chairman, said the decision, which takes effect Thursday, had nothing to do with politics, Today.az reported. "We strive to bring the practice in conformity to the law. We have started this process long before," Meherremli said. The decision also includes Europa Plus radio station, the chairman said, explaining the council has given Europa Plus a chance to bring "their activity in compliance" with Azerbaijani radio stations within two years. The U.S. State Department said it was disappointed by Azerbaijan's decision. "These media organizations play a crucial role in supporting democratic debate and the free exchange of ideas and information," said Gordon Duguid, acting State Department deputy spokesman. "This decision, if carried out, will represent a serious setback to freedom of speech, and retard democratic reform in Azerbaijan." Meherremli said for "unknown reasons when we stopped transmission of Russian and Turkish TV channels no one spoke of the political substantiation of the issue." (UPI)

## **TALIBAN KILL 20 BODYGUARDS IN AFGHANISTAN**

**1 January**

Taliban insurgents have ambushed the convoy of a district chief in southern Afghanistan and killed 20 of his bodyguards, an official says. Mullah Salaam, the district chief of Musa Qala in Helmand Province and who was once a member of the ousted Taliban, survived the December 31 attack on his convoy unharmed, the provincial spokesman said. Spokesman Dawood Ahmadi said two of the attackers were killed in a clash that followed the ambush in Helmand, a Taliban stronghold and one of the main drug-producing regions of Afghanistan, the world's top supplier of heroin. The Taliban could not be reached for comment immediately and the Afghan Interior Ministry in Kabul confirmed the killing of 20 guards on the payroll of the ministry, one of the single bloodiest attacks against

security forces in months. The ministry said one woman was also killed in the attack, adding more details of the incident were expected to come. Afghanistan is going through one of its worst spells of violence since 2005, when the Taliban began regrouping after being ousted in the U.S.-led invasion following the September 11, 2001, attacks. (Reuters)

## **PAKISTAN SAYS SENIOR TALIBAN OFFICIAL ARRESTED IN PESHAWAR**

**3 January**

Pakistani intelligence officials say they have arrested a senior Taliban official who was freed by Afghanistan in 2007 in exchange for the Taliban's release of a kidnapped journalist. Ustad Mohammad Yasir was detained in the northwestern Pakistani city of Peshawar on January 1, following a tip-off and a raid on a house, agencies quote officials as saying. Yasir was among several Taliban leaders released in March 2007 in exchange for the release of Daniele Mastrogiacomo, an Italian journalist who had been held hostage by the Taliban. Yasir had served as a spokesman for Taliban leader Mullah Mohammad Omar before the Taliban regime was ousted by U.S.-led forces in 2001. Many Taliban and Al-Qaeda militants fled into Pakistan after the Taliban fell from power. Pakistan has expressed its commitment to capturing remaining Taliban loyalists taking refuge in its lawless northwest frontier region, but Western governments, as well as neighboring Afghanistan, have questioned Islamabad's ability or willingness to fulfill its promises. (RFE/RL)

## **BRITISH FORCES CHECKING REPORT ON AFGHAN CIVILIAN DEATHS**

**6 January**

NATO's British forces say they are checking a report that some civilians were killed during an operation against the Taliban insurgents in Afghanistan's southern province of Helmand, a spokesman said. Hundreds of Afghans were killed in air strikes and raids by foreign troops last year, undermining public support for the presence of international forces and leading to a rift between President Hamid Karzai and his Western backers. The latest incident happened in Baghni district on January 5 when, according to a provincial government source, five members of a family were killed in an operation by British forces. No further details were given by the official. "We are looking into this," Major Steve Melbourne, a spokesman for

the British forces in Helmand, said by phone. Nearly 700 civilians were killed up to October last year in raids by foreign and Afghan forces, an Afghan rights body said last month, quoting a UN estimate. Violence has surged to its worst level in Afghanistan since the Taliban, ousted in a U.S.-led invasion in 2001, regrouped four years ago. On January 6, a soldier from the NATO-led force was killed in an attack in a southern area, the alliance said. Further details were not immediately available. (Reuters)

## **CENTRAL ASIA'S ERA OF CHEAP GAS COMES TO A CLOSE**

**6 January**

Starting on January 1, Uzbekistan increased the gas price it charges neighboring Kyrgyzstan and Tajikistan for natural gas to \$240 per 1,000 cubic meters, saying last year's price of \$145 was far below real market prices. The two impoverished Central Asian countries protested that the increase was excessive and unaffordable for their domestic customers. Sulosyn Toktosunova, a Bishkek-based expert, tells RFE/RL's Kyrgyz Service that many Kyrgyz households will no longer be able to afford their gas bills. "The new gas price will have a very bad impact on people's living standards,"

Toktosunova said. "Possibly, we are going to have a serious crisis in this regard in 2009. Last year, many people were not able to pay their gas bills even with earlier, cheaper prices. They were in debt. How will they cope with new tariffs?" Tajikistan has already found itself on the verge of a severe energy crisis. From the beginning of the year, Tashkent has also cut gas deliveries to its neighbor by half due to Dushanbe's failure to pay some \$12 million it owes for gas for 2008. But as Uzbekistan courts more affluent customers, like Russia and China, both Kyrgyzstan and Tajikistan acknowledge that there is no going back to the days of cheap gas. Beyond protesting Tashkent's decision to raise its gas price, there seems to be little either Bishkek or Dushanbe can do. In Kyrgyzstan and Tajikistan, politicians and experts say it is now time to explore domestic energy sources as the only way to escape the rising gas prices from their neighbor. "Now we have to explore our own energy sources," says Shodi Shabdolov, a Tajik legislator. "Tajikistan has great capabilities to produce electricity. Speaking approximately, it has up to 5 billion tons of top-quality coal. The government should have been trying to attract foreign investment to these sectors." Shabdolov adds, "There is nothing wrong

with Uzbekistan's decision to raise its gas price, because that is how the market economy works, and the era of 'Soviet brotherhood' is long gone." Unlike their other Central Asian neighbors, Tajikistan and Kyrgyzstan do not have abundant oil and gas resources. However, with numerous rivers in their mountainous terrain, both have the capacity to become major hydroelectric energy producers and exporters in the region. Tajikistan alone has the estimated potential to produce over 300 billion kilowatt-hours of electricity a year -- the largest hydroelectric capacity in Central Asia. Ironically, both countries face crippling power shortages that leave households with only a few hours of electricity during the winter months. Tajikistan has long been struggling to complete construction of a number of hydropower stations, including the Roghun and Sangtuda plants in its eastern regions. Meanwhile, Kyrgyzstan hopes to solve its electricity problems by completing its Kambarata-1 and Kambarata-2 power stations on the Naryn River. Kyrgyz President Kurmanbek Bakiev is traveling to Moscow later this month, and his office said a previously promised \$2 billion Russian credit to Kyrgyzstan is high on agenda in bilateral talks. (RFE/RL)

## **AFGHAN PRESIDENT SAYS U.S.-LED RAID KILLED 17 CIVILIANS**

**8 January**

Afghan President Hamid Karzai has condemned a U.S.-led coalition military operation that reportedly killed 17 civilians, including women and children. The U.S. military said only militants were killed in the incident. Civilian deaths caused by foreign troop operations when hunting militants have undermined support for foreign forces and are a sore point between the Afghan government and its allies. The latest reported civilian casualties occurred in an area of eastern Laghman Province on January 6, the palace said in a statement. "Based on the reports, during a coalition operation, 17 civilians including women and children were killed among militants in Laghman Province," it said. "The Afghan government has always clarified its stance in this regard and wants an end to such incidents which only divert the war on terror from its main path and endanger our successes," the statement quoted Afghan President Hamid Karzai as saying. Karzai also condemned the insurgents for deliberately using civilians as "human shields." The U.S. military said 32 insurgents, including a woman, were killed during the operation, which it said was

aimed at the Taliban's roadside-bomb network in Laghman. "I am confirming to you that all killed were militants," U.S. forces spokesman Colonel Jerry O'Hara told Reuters on January 8 when asked to comment about the palace statement. "If any civilians were involved in this operation, our sincere condolences to them and their family," O'Hara said. Karzai, who has been leading Afghanistan since U.S.-led troops overthrew Taliban's government in 2001, has repeatedly warned foreign forces to prevent civilian casualties. Nearly 700 civilians were killed until October last year during operations by foreign and Afghan forces, an Afghan rights body said last month, quoting a UN estimate. (Reuters)

### **AFGHAN OFFICIAL SAYS 2 MILLION AFGHANS UNEMPLOYED**

**8 January**

The Afghan government says that some 2 million workers in the country are unemployed. The Labor and Social Affairs Ministry added that an estimated 30,000 foreigners are working in Afghanistan. Deputy Labor and Social Affairs Minister Ghaws Bashiri told RFE/RL's Radio Free Afghanistan that it is necessary to hire foreigners because Afghans "don't have high-level vocational skills and abilities." Unemployment in Afghanistan is estimated at between 30-35 percent, down from 40 percent three years ago. Employment opportunities have been hurt by the harsh winter in the country, as construction work has slowed and agriculture -- which employs 80 percent of the country's workforce -- has been damaged. (RFE/RL)

### **BAGHIROV: RUSSIA HURTS EUROPEAN ENERGY SECURITY**

**8 January**

Russia worked to prevent Azerbaijan and Turkmenistan from moving into the European natural gas market, the former head of the state-run Azeri oil company said. Sabit Baghirov, the former president of the State Oil Co. of Azerbaijan Republic and current head of the Center of Economic and Political Studies, said Russia is undermining attempts to diversify the European energy sector by courting Caspian suppliers. "Russia attempts to prevent the supply of Azerbaijani and Turkmen gas to European markets by all means," he said. Baghirov said Russian aggression in the energy sector made the Western-backed Nabucco pipeline attractive to Azerbaijan, but cautioned the project may not have adequate supplies to replace Russian gas to Europe, Azeri news agency Today.Az

reported Thursday. "Nabucco will allow meeting the growing consumption of gas in the (European Union) countries not from Russian sources," he said. "It means that Nabucco is not intended to replace Russian gas with another." Nabucco is a planned natural gas pipeline to bring Caspian gas to European markets through Turkey. Russia embraces the South Stream pipeline as a rival to Nabucco, though Baghirov said Moscow fears a declining influence in the Caspian region more than Nabucco. (UPI)

### **GEORGIA ANNOUNCES READINESS TO RESTART GAS TRANSIT TO SOUTH OSSETIA - PUTIN**

**9 January**

The Georgian authorities have informed Russia that they are ready to resume the transit of gas supplies to South Ossetia, Russian Prime Minister Vladimir Putin told foreign journalists on Thursday.

"We have diligently been delivering gas to Georgia, despite any political problems with this country. We need to give Georgia credit because it has recently informed us that it is ready to restart [the transit of] gas supplies to South Ossetia," Putin said. Asked about a so-called "energy weapon" in connection with the Russian-Ukrainian gas dispute, the prime minister said that he does not "know any 'political energy weapon'." "But I know about weapons that Ukraine delivered to the Caucasus during hostilities there," he added. (Interfax)

### **U.S. VP-ELECT BIDEN IN AFGHANISTAN TO MEET LEADERS**

**10 January**

U.S. Vice President-elect Joe Biden arrived in Afghanistan on January 10 to meet political and military leaders in the war-torn country, which will become a top foreign policy priority of the new administration. One of the first decisions U.S. President-elect Barack Obama is expected to make is to approve the deployment of up to 30,000 extra troops to Afghanistan to try to stem the strengthening Taliban insurgency ahead of Afghan elections due in September. Biden is due to meet Afghan President Hamid Karzai as well as U.S. General David McKiernan, commander of the 65,000-strong international troop presence in Afghanistan. "Biden is here in Kabul to meet with various leaders including President Karzai and other ministers," said an Afghan government official who

declined to be named. "Biden's visit will reaffirm the United States' commitment to Afghanistan." Colonel Gregory Julian, spokesman for U.S. forces in Afghanistan, said Biden would meet McKiernan. Biden, for long the chairman of the influential Senate Foreign Relations Committee, has made many trips to Afghanistan and diplomats say he has a detailed knowledge of the country. After U.S.-led forces toppled the Taliban government for sheltering the Al-Qaeda leaders behind the September 11 attacks, analysts say President George W. Bush's administration took its eye off the ball in Afghanistan by diverting military and financial resources to Iraq. The Taliban then regrouped and relaunched their insurgency in mid-2005 and fighting has now spread from the militant heartlands in the south and east to the outskirts of the capital Kabul. The first batch of U.S. reinforcements, some 3,000 troops, is due in Afghanistan this month, taking up positions just south and southwest of Kabul. Most of the rest of the extra forces are likely to be sent to the south to break the stalemate between the Taliban and mainly British, Canadian, and Dutch troops there. (Reuters)

## **TBILISI, MOSCOW STRIKE DEAL ON ENGURI POWER PLANT**

**10 January**

Russia's electricity trader Inter RAO said it had signed a memorandum of understanding with Georgia on "effective exploitation" of Enguri hydro power plant (HPP). The Enguri HPP's five generators with a total capacity of 1,300 megawatt are located on the Abkhaz side of the administrative border, and its arch dam is located on the Georgian-controlled territory. A statement posted on the Russian state control Inter RAO's website on December 31 says that the memorandum was signed in Tbilisi between the company's chairman, Yevgeny Dod, and Georgian Energy Minister, Alexandre Khetaguri. "The sides have, in particular, agreed to develop a program of measures [for effective exploitation of Enguri HPP]. According to the provisions of the signed document it should be at least a ten-year program," the statement reads. "The Russian company representatives have held preliminary talks with the leadership of the Georgian and Abkhaz energy sectors. The document signed in Tbilisi is deemed by the participating parties as a success in the light of importance of the Enguri HPP in terms of supply of electricity to the entire Caucasus region and the

southern Russian Federation." Tbilisi and Sokhumi have an agreement according to which 40% of the electricity generated by the Enguri HPP is consumed in Abkhazia and southern Russia and the rest 60% is received by Georgia. The Georgian Energy Ministry has declined to comment on the memorandum with Inter RAO. The ministry spokesperson, however, told Civil.Ge on January 10, that the ministry officials planned to summon a press conference on the matter in "next few days." (Civil Georgia)

## **GEORGIAN DELIVERY OF RUSSIAN GAS TO ARMENIA TO RESUME**

**12 January**

Russian natural-gas deliveries to Armenia via a pipeline passing through Georgian territory will be fully restored on January 13, RFE/RL's Armenian Service reports. Armenia's state gas company, ArmRosGazprom, said that the repair of the Ghazakh-Sagoramo pipeline in Georgia is nearly complete. The pipeline -- which passes through the Azerbaijani-populated Gardabani district of Georgia -- is the key source of gas supplies to Armenia. Georgia suspended the flow of gas on January 9, citing emergency repairs on the key pipeline. Georgian Energy Minister Aleksandre Khetaguri said the pipeline was seriously damaged by increased gas pressure that he said was due to a seasonal rise in consumption in Armenia. (RFE/RL)

## **GEORGIAN FM: CHARTER WITH U.S. HITS RUSSIA'S GOALS**

**12 January**

Russia will be "irritated" by the U.S.-Georgia Charter on Strategic Partnership, because the document is yet another blow for the Russia's goal to turn Georgia into a source of "instability," "grey zone" and into "area of lawlessness," Grigol Vashadze, the Georgian foreign minister, said on January 12. "This Charter, as you understand, is yet another nail in the coffin, which will bury Russia's goals it wanted to carry out during the August [war]," Vashadze said at a joint news conference with visiting Swiss Foreign Minister, Micheline Calmy-Rey. In remarks with the Georgian journalists in Washington after signing the Charter on January 9, Vashadze said that Moscow would of course "have a sharp reaction," but it should not become a reason for Georgia "to close up the country and then to take key to Moscow and run to Russia any time when we want to make an important decisions." (Civil Georgia)

**KYRGYZSTAN ENACTS LAW  
RESTRICTING RELIGIOUS ACTIVITIES****13 January**

Kyrgyz President Kurmanbek Bakiev has signed a controversial bill on the activities and registration of religious groups, RFE/RL's Kyrgyz Service reports. The legislation has been criticized by international human rights groups, who believe it would restrict the activities of religious organizations. The law increases the number of people needed to officially register a religious organization from 10 people to 200 people, bans children from being involved in religious organizations, and prohibits people from proselytizing. It also forbids the distribution of religious materials in public places, children's institutions, schools, and people from giving out such materials from house to house. The new law includes new rules for the registration and annulment of religious organizations. The legislation was supported by the Muslim Spiritual Council and the Russian Orthodox Church in

Kyrgyzstan, but was criticized by many Kyrgyz and international organizations concerned with human rights. (RFE/RL)

**THREE OPPOSITION PARTIES CALL FOR  
SAAKASHVILI'S RESIGNATION****14 January**

A group of three opposition parties has called on the rest of the opposition groups to join forces and launch protest rallies to demand President Saakashvili's resignation. The Conservative Party, the Movement for United Georgia and the Party of People, joined by individual opposition politician Levan Gachechiladze, a former presidential candidate, issued a statement on January 13, saying that free and fair early parliamentary elections would be impossible under Saakashvili's presidency. "Therefore, the only solution is to achieve Saakashvili's resignation through protest rallies and hold free elections afterwards," the statement reads. (Civil Georgia)