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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 100-word statement of your conclusions about the issue or news event on which the article focuses.

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

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

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IRAN'S ENERGY DEALS WITH TURKEY AND AZERBAIJAN: THE MANY FACETS OF CASPIAN ENERGY POLITICS

Stephen Blank

The energy politics in and around the Caspian and Black Sea continue to become increasingly complex as more energy from those areas becomes available, demand continues to remain high, and more and more parties with ever more complex interests get into the game. Iran's recent energy deals with Turkey and Azerbaijan epitomize the complexities involved in making sense of regional energy politics in this part of the world. The two recent Iranian deals with Turkey and the one with Azerbaijan highlight the relationships between the multiple interests and issues of the players.

BACKGROUND: In February 2007, Ankara and Tehran announced two energy deals. After years of resisting Turkish proposals, Iran relented and allowed Turkey's Petroleum Company, TPAO, the right to explore for oil and gas in Iran. Second, and as was more recently confirmed, the parties agreed to transfer Turkmen natural gas through Iran to Turkey and then on to Europe. Gas supplies for a second branch are supposed to come from Egypt and traverse Jordan and Syria. Turkey's share of gas is still unclear, but it is supposed to yield 31 billion cubic meters (bcm) of gas, and Turkey will also be allowed to develop three gas fields in Iran without a tender. Finally Iran even offered Turkey cooperation in nuclear energy production.

For both Iran and Turkey, these deals are of considerable economic and strategic importance. The most obvious point is that they help satisfy Turkey's rising demand for oil and gas, and Iran's desire to find customers to whom it can export free of the encumbrances of American sanctions. Iran also would make a political statement, thereby indicating that it can escape from those externally imposed restrictions upon it. But there is much besides that going on. If this pipeline deal goes through, it will represent part of the EU's planned Nabucco pipeline that does not cross Russian territory. Moscow has alertly made major

deals with Turkmenistan and Kazakhstan to prevent the Nabucco pipeline or any alternative of a trans-Caspian pipeline. So in this way, Turkmenistan and Kazakhstan stand to benefit along with Iran by opening up another route for energy exports. But Iran also confirms that it is a major energy power that can and will operate independently of Russia and even compete with it, a fact clearly not lost on Moscow.

Turkey also gains considerably apart from satisfying its own demand and gaining access to potentially new sources of oil and natural gas. Turkey has seen itself as being a pivotal player in energy, indeed as a hub connecting Europe with Asian fields. Its desire to become an energy hub has been a major foreign policy goal of successive Turkish governments even before the AKP Party came to power in 2002. It had therefore hoped to be the main conduit for Russian and Caspian energy going to Southern Europe and beyond. However, Moscow has other ideas, because it is fundamental to its strategy that no third party can alone cut off Russian energy supplies. Thus Moscow has moved to "bottle up" Caspian oil and gas sources and to reduce Turkey's leverage by signing a deal with Greece and Bulgaria for the transit of Russian and Kazakh oil through the Burgas-Alexandropoulos pipeline that bypasses Turkey and goes directly to Greek ports in the Mediterranean.

IMPLICATIONS: Accordingly, Turkey has stepped up all its contacts with non-Russian gas exporters. It has flatly refused to suspend construction of the Nabucco pipeline in the face of Russian deals, and is thus discussing the aforementioned pipeline deals that would possibly include a trans-Caspian pipeline that would connect to Azerbaijan's Shah Deniz pipeline, and/or utilize existing Iranian and Turkish pipelines that could go directly to Turkey. And now Turkey seeks to exploit Bulgaria's hesitation in ratifying the Burgas-Alexandropoulos pipeline. Despite the three-way accords among Greece, Bulgaria, and Russia, there had been no environmental impact study through the spring of 2007 and this sometimes takes years in Bulgaria. Not even the fact that Russia signed a deal with ENI to build the pipeline through Bulgaria has dented Turkey's resolve. In the meantime, Turkey is building a third pipeline to Ceyhan to add to the Baku-Ceyhan and Kirkuk-Ceyhan pipelines. It also intends to raise the throughput of the Baku-Ceyhan pipeline beyond current capacity of one million barrels/day, and Central Asian energy would be critical to that goal. Thus the Iranian deals enable Turkey to continue pursuing its dream of being an energy hub with a direct link to Central Asia and to compete with Russia, even while keeping good ties to Russia.

Meanwhile, Iran is also making deals with Azerbaijan. Again it demonstrates its resolve and ability to escape from American restrictions, but it also demonstrates its resolve and ability to compete with Russia in providing CIS states with energy or in shipping it to Europe. Iran's agreement with Azerbaijan on providing it with electricity came soon after Russia cut gas and electricity supplies to Azerbaijan. These cuts, allegedly because Azerbaijan could now produce its own energy, were seen, however, as political punishment for

Azerbaijani support for Georgia. What is surprising about this is that Azerbaijani-Iran relations had been troubled with issues of the treatment of the Azerbaijani minority in Iran, disputed borders, efforts by Tehran to raise threats to Azerbaijan if it hosted American forces, differences over Nagorno-Karabakh, and Baku's overall pro-Western attitude. Clearly, Iran saw an opportunity to benefit itself, make money, escape the American ring, and compete with Russia.

CONCLUSIONS: There are many sides to these deals that arouse or should arouse observers' interest.

First, it is noteworthy that American protests about dealing with Iran have been muted, if heard at all. Obviously, Washington has accepted that these states' competition with Russia and acquisition of sufficient energy supplies possesses enough weight to mobilize against such protests. Therefore, it has not raised loud complaints about these deals in public. This fact alone should suggest to observers just how serious the East-West rivalry over Caspian and Black Sea energy outcomes truly is.

Second, Iran has been threatening energy sanctions to enemies and rewarding potential friends or neutrals with energy contracts, as in these cases. It remains to be seen how potent either or both of these weapons are in relieving Tehran of the pressure to denuclearize, but there is clearly at least some room for it to maneuver in using the energy card.

Third, Turkey's deals are testimony to its stubborn resolve to pursue the objective of being an energy hub, if not the energy hub tying Europe to Asia. These deals also demonstrate its willingness to compete with Russia over access to Caspian energy sources despite their strong ties of friendship and economic partnership. These deals also display its less than staunch attitude towards doing business with Iran,



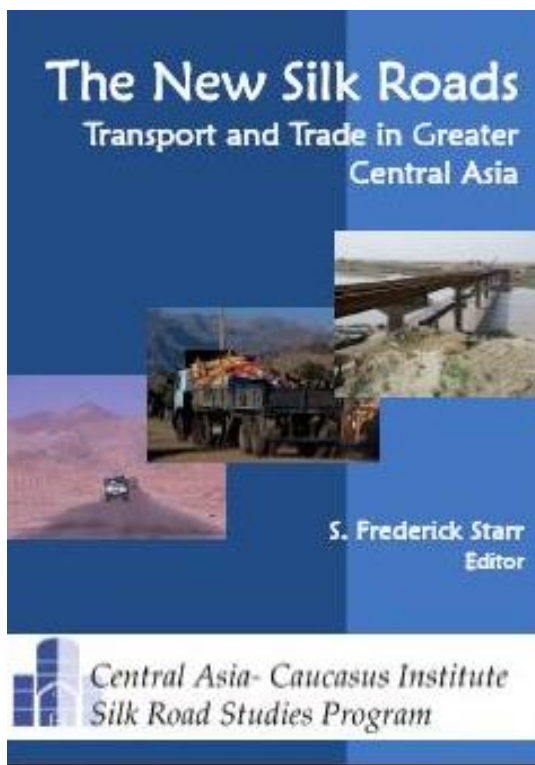
Erdogan and Ahmadinejad (AP)

despite its obvious concerns about Iran potentially becoming a nuclear power. Perhaps there is an angle of Islamic solidarity here, but it is more likely a declaration of cold hard interest, not just in acquiring energy, but also in keeping open ties to Tehran despite opposition to nuclearization, and its parallel willingness to compete on energy with Russia. Turkey's steadfast position regarding the Nabucco pipeline reflects its belief that its strategic benefit to Europe, which should pay off eventually in membership in the EU, is tied directly to its ability to play its envisioned role as the hub of European energy supplies from the Caspian.

These deals also show that the temptation of economic interest can, under appropriate circumstances, outweigh past enmities, e.g. in the Iranian-Azerbaijani case. This deal also shows how CIS governments can exploit Russia's rivalries with its neighbors even though they have been muted for some time and Russia has, until quite recently, stood by Iran. Nevertheless, their energy interests are at odds with each other and Baku is able to exploit that fact for its benefit.

Washington's attitude also suggests the importance it too attaches to securing the vital economic interests of states it wants as partners or allies. Security interests in and around the Caspian encompass struggles for political and military influence over local governments, Iran's nuclear proliferation and the struggles of exporters and consumers to obtain what they deem as reliable energy access, or in Turkey's and Russia's case, to become an energy hub. Given the complexity of these issues and the numbers of players who are jockeying and contending for position, is it any wonder that so many deals are being struck that seem strange at first, but on second sight appear quite logical, if not compelling?

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RAMZAN KADYROV'S YOUNG GOVERNMENT: MEDIOCRITY REWARDED, AMBITION CURTAILED

Kevin Daniel Leahy

Chechnya's pro-Moscow administration was recently subject to a sweeping government reshuffle. Like any other reshuffle, this one produced both winners and losers. While riding President Ramzan Kadyrov's coat-tails has undoubtedly helped kick-start the careers of certain non-descript functionaries like the new Premier, Odes Baisultanov, other more zestful Kadyrovites are being frustrated by their leader's inherent suspicion of political ambition per se.

BACKGROUND: It should be clear by now to all seasoned observers of Ramzan Kadyrov that the qualities he treasures least in those he has political dealings with are candor and independence. It should come as no surprise, therefore, to learn that Odes Baisultanov is possessed of neither of these traits. In a sense, his current role as prime minister is his birth-right given that he is a maternal cousin of Kadyrov's. Generally regarded as a man of unremarkable intelligence, Baisultanov made his name through his involvement in two pet-projects long associated with Chechnya's pro-Moscow authorities, namely the restoration of Grozny's civilian airport and the construction of a cement factory in the town of Chiri-Yurt. Although Baisultanov received some acclaim for his involvement in these endeavors – particularly for his involvement in the Grozny airport project – in terms of real political influence, he is merely a cipher. There is reason to suggest that Kadyrov realizes his prime minister's limitations. For example, Kadyrov personally led the Chechen

delegation to the St. Petersburg economic forum held earlier this year even though Baisultanov – as Prime Minister, officially the government's main political economist – would have been the black and white choice to head the contingent.



Odes Baisultanov

In all likelihood, Kadyrov simply couldn't resist the glamour of this occasion, but perhaps he also feared that Baisultanov, who has a reputation for uncouthness according to some, would inadequately represent the republic at such a prestigious, and potentially lucrative, function. It is tempting to regard Baisultanov as a ready-made lightning

rod for the Kadyrov government. That is, should something politically inopportune come to pass, such as a major rebel attack within Chechnya for instance, the eminently replaceable Baisultanov could be wheeled out as a scapegoat for such a travesty. The role of prime minister has proven to be a poisoned chalice for all previous incumbents save Ramzan Kadyrov, and Baisultanov is unlikely to fare any better than his Russian predecessors.

The other person who seems to have most benefited from the recent government reshuffle is Adam Demilkhanov, now Chechnya's First Deputy Prime Minister. Although recently relieved of his formal responsibilities for managing the republic's law-enforcement organs, Demilkhanov undoubtedly remains the government's strong man. He has previously been tasked with organizing what would be termed in the West "black operations" such as the kidnapping of rebel leader Dokka Umarov's relatives and the elimination of Kadyrov ally turned critic, Movladi Baisarov, in downtown Moscow late last year. More recently, Demilkhanov has had the opportunity to craft a political profile for himself through his involvement in the successful campaign to repatriate Chechen convicts serving time elsewhere in the Russian Federation and by joining the chorus of criticism directed at the controversial ORB-2 bureau by other pro-Moscow stalwarts. But Baisarov and Demilkhanov are political lightweights in comparison to certain other, more dynamic, members of Kadyrov's inner circle.

IMPLICATIONS: The speaker of Chechnya's pro-Moscow parliament, Dukvakha Abdurakhmanov, is a close confidante of President Kadyrov and remains a voice of considerable import in all political decision making. If Demilkhanov is a *silovik* in the broad, generic sense of the word, Abdurakhmanov is a political *silovik*. He, along with his unofficial deputy, the republic's human rights ombudsman Nurdi Nukhazhiev, serves as Kadyrov's de facto spokesman. These two PR-savvy individuals function, in effect, as Kadyrov's criers.

Abdurakhmanov was an invaluable tool for Kadyrov during his two and a half-year conflict with Alu Alkhanov. The speaker proved himself – as this "art" is known in Russia – a "political technologist" of some ability, briefing against the beleaguered Alkhanov, organizing dubious opinion polls damaging to the then-president, while pronouncing on a range of sensitive political issues at local, regional and even national level. This relentless campaign considerably raised Abdurakhmanov's political profile and made him

one of Chechnya's most recognizable political figures.

Since Kadyrov's ascension to the presidency, however, it is noticeable that Abdurakhmanov no longer speaks for Kadyrov on matters of a domestic nature. Instead, this brief has been allotted to Nukhazhiev who has spared little time in addressing popular domestic political issues like the prisoner repatriation initiative, the ORB-2 controversy, conscription, the exhumation of mass graves around Chechnya and so on. Abdurakhmanov, meanwhile, has busied himself by talking up the idea of a third term for President Putin, demanding federal compensation for damage done to Chechnya's infrastructure by Russian forces, and again revisiting the idea of a territorial merger between Chechnya and neighbouring Ingushetia.

It is interesting that Abdurakhmanov has refrained – by choice or otherwise, we cannot be sure – from making statements on matters of domestic significance. Could it be that Kadyrov, alarmed by the undeniable growth in Abdurakhmanov's public profile during 2006, has decided to clip his chief spokesman's wings? As mentioned at the outset, Kadyrov resents any appearance (imagined or otherwise) of independence among those in his entourage. This is the reason he could not co-exist with Hussein Dzhabrailov, a successful Chechen entrepreneur who arrived in the republic as a much-touted deputy prime minister last autumn. However, Dzhabrailov was too wealthy, and therefore too independent, for Kadyrov's taste and was quietly relieved of his post last March. Abdurakhmanov will also no doubt recall how his predecessor in the role of "Kadyrov's crier", Taus Dzhabrailov, vanished from Chechnya's political radar following a quarrel with Kadyrov in 2005. Amid these circumstances, it would be highly imprudent of Abdurakhmanov to attempt to build on his standing within Chechnya lest it be perceived as a sign of greater ambition.

CONCLUSIONS: The contrast between Baisultanov, the unremarkable bureaucrat, and Abdurakhmanov, the wily, ambitious, not

untalented political operator encapsulates the dilemma facing some of the younger, brasher Kadyrovites. Kadyrov's elevation to the presidency has meant promotion for Baisultanov and his ilk while Abdurakhmanov has seen his political brief diminished and may even have become the newest object of the young president's suspicion. We cannot say with certainty whether political *siloviki* like Abdurakhmanov and Nukhazhiev are presently dissatisfied with their political prospects. But as long as Ramzan Kadyrov is in power, relatively dynamic political operators like Abdurakhmanov must take care to conceal any grand political ambitions they may harbor. Both Demilkhanov and Baisultanov, aside from being bound by blood to Kadyrov (like Baisultanov, Demilkhanov is Kadyrov's cousin), are reconciled, even content with, their current roles. For more dynamic, more intelligent figures, Kadyrov's Chechnya must be akin to a grinding purgatory: the president's contempt for ostentation, independence, candor and

above all, ambition, creates a contradictory situation where the brightest, most capable Kadyrovites can only seethe, watching while other less capable courtiers receive political promotions. But as Edmund Burke once noted, "ambition can creep as well as soar"; with Kremlin-connected analyst Sergei Markov recently suggesting that Kadyrov could rule for 40 years, some of his followers (perhaps even those whom Kadyrov has promoted) must be wondering whether they will ever be free of the watchful eye of their capricious patron. Time, as frequently happens in scenarios like this one, will almost certainly increase their resentment toward Kadyrov and toward each other. In this way, the political stagnation engendered by Kadyrov's fearsome persona may eventually undermine the cohesion of his political "team".

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IS JAPAN'S INTEREST IN CENTRAL ASIA STAGNATING?

Amy King and Jacob Townsend

Recent figures on Japan's official development assistance demonstrate that its engagement with Central Asia could be waning. Despite great expectations over the past few years, aid has fallen dramatically as Japan appears somewhat disillusioned, realizing among other the difficulties in obtaining access to the region's oil and gas. Japan will not vanish from Central Asia, but its involvement may stagnate rather than expand, focusing on uranium and minor development assistance.

BACKGROUND: As a country with few indigenous energy resources, Japan has long considered energy security a central pillar of its national security framework. Japan's assessment of Central Asia's importance rose in 1992 and, since that time, it has hoped to use the oil and gas reserves

of Kazakhstan, Uzbekistan and Turkmenistan to diversify its energy imports away from the Middle East and Southeast Asia. Japan's early diplomatic forays into Central Asia were centered on providing financial aid and loans to develop a range of energy-related and other infrastructure. Japanese businesses

— notably Itochu Oil Exploration — and government-backed organizations provided finance for the development of oil and gas fields in the region. In parallel, the Japanese government registered an interest in improving regional governance and investment stability. Japan has also played a role in connecting Central Asia to the wider Asia-Pacific region; as a result of direct lobbying by MOFA, four of the five republics became members of the Asian Development Bank between 1994 and 2000.

The 2004 launch of the 'Central Asia plus Japan Dialogue' suggested a new high for Japan's fifteen years of resource diplomacy. Japan's diplomacy seemed to offer substantial economic benefits and Central Asian leaders' hopes rose accordingly. Of particular interest is the potential to attract investment from Japanese companies, a source of capital seen as large and promising. Yet, although it has concluded sizeable uranium contracts with Kazakhstan and Uzbekistan, Japan's outpouring of financial aid has yet to translate into oil or gas deliveries. The proposed Turkmenistan-China-Japan pipeline remains technically, economically and politically unfeasible. Japan's Inpex Corporation has an 8.33 percent stake in the consortium developing Kazakhstan's Kashagan oilfield, but the group is suffering severe cost overruns and production will be several years late, sometime after 2011. Furthermore, state-owned KazMunaiGas looks set to significantly increase its stake in the project, a decision that would make investment unprofitable for the current consortium — including Japan's Inpex — and may well lead to the project's collapse.

The 'Central Asia plus Japan Dialogue' was never couched in terms of energy cooperation alone. In August 2004, Japanese Foreign Minister, Yuriko Kawaguchi, told an audience in Tashkent that 'Japan has no selfish objectives towards Central Asia', and the five republics have received more than \$US2.5 billion for both humanitarian projects as well as those related to energy development.

With 2004 as the high point, Japanese political momentum was enough to send Prime Minister

Junichiro Koizumi to Central Asia in 2006. However, by this time Japan's practical engagement was already in decline. Official development assistance figures for the past two years indicate a marked reduction in Japanese aid, particularly to the potential energy exporters. Between 2004 and 2006, aid to Kazakhstan and Turkmenistan was cut entirely. The biggest recipient, Uzbekistan, saw its allocation reduced by 92 percent, receiving \$US7.5 million in 2006 — the same amount as the Ivory Coast and far less than Indonesia, in which Japan continues an energetic hunt for gas. Japan's remaining aid to Central Asia is now focused on more traditionally humanitarian areas, such as the development of education and medical infrastructure. While it would be unfair to characterize Japan's objectives in Central Asia as 'selfish', Japan's aid appears to have fallen in line with its realization that resource diplomacy will not be fruitful in Central Asia.

IMPLICATIONS: The barriers to stronger Japanese engagement in Central Asia are high for three reasons. Firstly, Japan is constrained by the same concerns for democratic governance as other Western countries, but unlike the United States, for example, it has less ability to offer military cooperation and power balancing against China and Russia. The risks to government and business reputations are considered high and limit the scope for meaningful and long-term partnerships. As the Central Asian republics expand their foreign contacts, there have been very few mid-level political exchanges with Japan to deepen and broaden any impact from Koizumi's visit.

Secondly, Japanese companies are unlikely to commit to greater investment for the same reason that most companies do not: Central Asia remains a difficult place to do business. The travails of other corporations — such as Coca-Cola in Uzbekistan — continue to provide warnings to would-be investors, Japanese included. Beyond uranium, there is a notable lack of Japanese business activity in Central Asia when compared with the region's more natural partners, such as China, Russia and Turkey. As with investment, so with trade: Japan views Central

Asia as neither a source of cheap exports, nor as a market for its own goods and services.

Thirdly, as with much of the diplomatic maneuvering in Central Asia, Japan's major motivation has been to chase resources. The enthusiasm of MOFA officials for building ties with Central Asia came from its geographical proximity, but this has proved illusory. The most feasible routes to move oil and gas to Japan run through China and Russia. Of the southern trajectories, Afghanistan remains insecure and Japan recently reduced its energy interests in Iran under U.S. pressure. Japan has obvious concerns with entrusting its energy security to China. When Central Asian deliveries rely on Russia, in the medium term it is more cost-effective for Japan to put its diplomatic capital into developing nearby Russian gas and oil fields rather than attempting to link with Central Asia via long pipelines. From Japan's perspective, because Central Asia's resources lie on the other side of China and Russia, they come with substantial cost premiums.

Given these barriers, it is likely that Japan's engagement will be maintained at its present level. The troubles and trends in Japan's engagement with Central Asia are in stark contrast to the burgeoning and diversifying relations between China and the region. Japanese development assistance can benefit Central Asia, but perhaps the biggest gains would be made from attracting greater Japanese investment in the energy sector. Japan has the money and expertise to develop energy resources and Central Asian governments need to press the case that any extra oil or gas on the market suppresses global prices, even if China and Russia stand in the way of direct links.

CONCLUSIONS: Given Japan's dependence on the Middle East and Southeast Asia for 90 percent of oil and natural gas supplies, its interest in Central Asia as a means of diversifying imports is of little surprise. Yet, despite sending more than \$US2.5 billion in aid to the region since 1992, Japan's resource diplomacy in Central Asia has met with little success. The political, technical and financial difficulties associated with exporting oil and gas from the region cannot be overcome through aid alone. There is certainly money to be made for investors willing to engage the risky Central Asian republics in developing oil and gas fields, but, if declining aid figures to the region are anything to go by, Japan appears less willing to play that role. Its attention has shifted to the other great resource hope - Africa - with negative impacts for its Central Asian engagement.

That said, the 'Central Asia plus Japan Dialogue' is likely to continue, and Japan will continue to deliver smaller, mainly humanitarian aid programs. Ongoing dialogue will also allow Japan to offset some of the political influence exerted by China and Russia in the Central Asian sphere. Nevertheless, apart from generating minor goodwill and more significant uranium contracts, relations with Central Asia are not likely to deliver many tangible benefits to Japan. For now, it remains up to the Central Asian republics to convince Japan to remain engaged in their oil and gas industries.

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KAZAKHSTAN'S EMERGING SECURITY TIES WITH CHINA

Roger N. McDermott

Security Relations between Kazakhstan and China, though traditionally low-key and not widely publicized, have been growing steadily. Given the enhanced security cooperation within the SCO to combat terrorism, as witnessed in the highly publicized SCO 'Peace Mission 2007' antiterrorist exercises in China and Russia August 9-17, 2007, combined with China's evolving energy interests in Kazakhstan, both countries appear set to enhance their military cooperation. This will bring China into the security dynamics at play around the Caspian Sea, and complicate yet more the complex web of security assistance provided to Kazakhstan by the U.S., Turkey, the U.K, and other western countries as well as by NATO.

BACKGROUND: China's President Hu Jintao declared that the purpose of his state visit to Kazakhstan on August 18, 2007, was to raise 'pragmatic cooperation,' as well as suggesting that he wanted to improve the quality of the 'strategic partnership' between China and Kazakhstan. The countries signed political, economic and trade agreements, with an emphasis on energy and transportation.

In 2006, the China-Kazakhstan trade volume reached \$8.36 billion, up 22.8 per cent on the previous year. In the first half on 2007, it reached \$5.97 billion, an increase of 60.4 per cent on the same period in 2006. On August 18, 2007 during bilateral talks with the Chinese President, Nazarbayev offered strong political support for China's position on Taiwan. Nazarbayev, suggesting closer security cooperation was essential for both countries, also saying that "Kazakhstan will not allow threats to the territorial integrity of the People's Republic of China to emanate from our territory," suggesting that the Kazakhstan National Security Service (KNB) will step up the monitoring of Uighurs in eastern Kazakhstan and increase intelligence exchanges with China.

President Hu praised the existing level of cooperation between China and Kazakhstan, through bodies such as the UN, SCO and the Conference on Interaction and Confidence Building

Measures in Asia (CICA). Hu expressed interest in deepening cooperation with Kazakhstan in five key areas: High level exchange visits between related governmental departments; expanding cooperation in trade, energy, transportation and promoting economic growth; deepening security cooperation against 'new threats' in the region; intensifying multilateral cooperation (UN,SCO, CICA); and expanding media and cultural ties.

Although the security factor came only third on Hu's list, it was notable that their security cooperation was almost taken to be in the process of expansion, since both leaders had come from seeing the concluding day of the SCO antiterrorist exercises 'Peace Mission 2007' in Chelyabinsk, Russia, as well as attending the SCO Summit in Bishkek. The critical agreement in Astana related to energy, and appears set to widen China's security interests in Kazakhstan further. Astana and Beijing agreed on the construction of a second section of an oil pipeline from Kazakhstan to China, and a gas pipeline to transit Kazakhstan, taking Turkmen gas to China. Kazakhstan's national oil and gas company KazMunayGaz agreed on the principles of cooperation with China's CNPC, on the building of the second section of the oil pipeline. On the significance of the agreement, Nazarbayev remarked that "the largest of these is an extension of the already built Kenkiyak-Kumkol oil pipeline,

which will reach the Caspian.” In fact Nazarbayev reiterated and stressed the point: “That is, the Caspian will be linked with western China.”

This level of energy cooperation also reflects Nazarbayev’s ambitions for the already booming levels of trade; he claimed that in 2008, bilateral trade will reach \$12 billion. Both sides are interested in developing this level of trade over the next few years. After meeting President Hu, Nazarbayev commented, “Today we talked in detail about

strengthen Kazakhstan’s military and security ties with Beijing, stemming from trade, transportation and energy ties with China.

These security ties, already progressing annually, mostly relate to training and education, with small numbers of Kazakhstani military personnel being sent to China for training and exchanges. Equally, there is interest within Kazakhstan’s Ministry of Defense in procuring more military equipment from the PLA. Here there is room for optimism, but this

could stem from the fact that the PLA is modernizing its weapons and equipment, and as this process unfolds, Astana may hope to receive gratis transfers of decommissioned military assets.

The PLA is of interest to Kazakhstan’s MoD in as much as China has strengthened its own Special Forces, which are so essential for antiterrorist operations. Kazakhstan hopes to tap into this expertise and learn how the PLA plan, train and utilizes such forces. These units are beginning to work together, as seen in the potential which arose from Tien-Shan 2006,

when Kazakhstan and China held bilateral antiterrorist exercises. Moreover, during the SCO antiterrorist exercises ‘Peace Mission 2007’, the participation of elements of Kazakhstan’s airmobile forces, based in Kapshagai, from which its peacekeeping units are drawn (KAZBAT, which is being expanded to KAZBRIG through assistance from the U.S. and NATO), alongside their counterparts in the PLA, raised more interest in Sino-Kazakhstan security cooperation.

Astana and Beijing have shared security concerns from extremist groups such as Hizb-ut-Tahrir, and the officially designated terrorist group, East Turkestan Islamic Movement (ETIM). Indeed, recently more arrests have been made in southern Kazakhstan of alleged terrorists. Hu and



Chinese-Kazakh Military Exercise (China.cn)

cooperation in the energy, oil and gas, petrochemical, oil refining, tourism, transport and communication spheres.” It is precisely these areas that are driving Kazakhstan’s interests in deepening security cooperation with Beijing.

IMPLICATIONS: Kazakhstan has already declared a high level of interest in developing its strategic partnership with China, which was reflected in its new military doctrine in April 2007. The military doctrine attaches importance to Kazakhstan’s bilateral security relations with Russia and China, and mentions enhancing these relations with the latter also through the Shanghai Cooperation Organization (the military doctrine places much further down the list, Kazakhstan’s cooperation with the U.S. and NATO). Nazarbayev has political and economic reasons for attempting to

Nazarbayev want to show they are doing something practical about these apparent threats.

There are problems, however, which Kazakhstan's military planners will need to work hard to overcome. The most pressing of these is the language challenge: Kazakhstan has a severe shortage of military linguists that are educated and capable of teaching Chinese to cadets. At this point, the Defense Institute of Foreign Languages (DIFL) headquartered in Almaty only possesses one part-time qualified Chinese instructor. Such issues will require careful planning and prioritizing as Kazakhstan's security relationship with China grows.

CONCLUSIONS: Intelligence cooperation between Kazakhstan and China exists not only on a bilateral basis, but through the SCO's Regional Antiterrorist Structure (RATS) in Tashkent. Hu

secured agreement from his SCO counterparts during the SCO Summit in Bishkek on August 16 that SCO members will assist in providing security for China in connection with Beijing Olympics in 2008; binding the SCO intelligence agencies to cooperate specifically for the help of Beijing's Olympic security operation. Cooperation in counter-terrorism, as well as pursuing joint measures to tackle separatism, extremism and other non-traditional security threats, will tie Kazakhstan to deeper security cooperation with Beijing in the foreseeable future. Added to economic links and the energy cooperation vector, there is strong interest inside the Kazakhstani MoD in benefiting from more practical military cooperation with China.


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The issue contains articles by Daniel Burghart, Michael Mihalka, Braekhus & Overland, Olga Olikier, and Sebastien Peyrouse, among other.

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FIELD REPORTS

KAZAKHSTAN'S POLITICAL PROSPECTS LOOK GRIM AFTER PARLIAMENTARY ELECTIONS

Farkhad Sharip

The outcome of parliamentary elections in Kazakhstan held on August 18 surpassed the pro-presidential forces' most optimistic expectations of and discouraged other contenders for parliament seats. With a staggering 88.5% votes won in the elections, Nursultan Nazarbayev's Nur Otan party takes up all seats in parliament and practically monopolize all power in Soviet-era communist party style.

Vote counting in some places were still in progress when the Central Election Commission announced the landslide victory of Nur Otan with a staggering 88.5 percent of votes of votes cast.

The depressing news for democratic forces was that none of Nur Otan's two rivals, the All-National Social Democratic Party and Ak Zhol party could get even achieve 7 percent of votes to make their way into parliament. With a deplorable 4.6 percent of votes, the social democrats showed the second best results while the Ak Zhol party barely managed to gather 3,2 percent. No one doubted that Nur Otan, backed up by enormous administrative and financial resources and, most importantly, by the uncontested positive image of Nursultan Nazarbayev, would easily win the elections. But the incredibly wide margin by which the ruling party

won the elections triggered protests from defeated political parties and puzzled observers. Before the elections, analysts were almost unanimous in their belief that Ak Zhol and the All-National Social Democratic Party, with considerable public sympathy on their side, would receive at least 20 percent of votes.

The election results were a deep disappointment not only for the defeated parties but also for democratic forces as a whole. The resounding victory turns the ruling party into the single political force in the country with unlimited decision making power. The complete authority of Nur Otan purged parliament of the last remaining few critics and whistle blowers. Pessimists fear that the parliament, which has already fallen into disrepute knuckling under to presidential power on every issue, will be reduced to nullity under Nur Otan.

Western observers were conspicuously restrained in their assessment of the elections. A press-release circulated by the European Union Presidency merely stated that elections "failed to meet a number of international standards, in particular with regard to the legal framework and the vote count". At the same time, the Presidency of the EU lauded "the efforts of the Central Election

Commission towards enhancing the transparency of the election process". Election authorities in Kazakhstan culled out only favorable comments from western observers for public consumption, effectively omitting even slightly critical observations. Taskyn Rakhimbekov, the head of the National Network of Independent Observers, reported numerous violations of the vote counting rules in nine regions. Leaders of the All-National Social Democratic Party stated that by August 28, regional branches of the party had filed 322 lawsuits at the Prosecutor General's Office and the Central Election Committee listing violations of the election law.

In an obvious attempt to take the steam out of the tense situation, state secretary Kanat Saudabayev called on political parties to face the realities and recognize the outcome of the elections and cooperate with the ruling party contributing to the political renewal of the country. But the conciliatory tone of his message was rejected by mainstream opposition forces. Leaders of the All-National Social Democratic Party, Ak Zhol and the People's Communist Party of Kazakhstan jointly made an eloquent appeal to President Nursultan Nazarbayev demanding that the parliamentary elections be recognized as illegitimate. The losers clamor for rerun elections, and in their appeal to the president warn that the domination of a single party in parliament amounts to political stagnation and the resurrection of the communist party of Soviet era.

President Nazarbayev did not bother to answer the challenges from the defeated. He triumphantly waved to the crowd in noisy celebrations of the victory of his party staged the day after the elections, before final results of the voting were announced by the Central Election Committee. He called on the opposition for calm and peace, saying that the election victory of Nur Otan was "the choice of the people" and his party would cooperate with all political parties.

Many analysts are inclined to conclude that given the lack of solidarity in the opposition's ranks, and endless internal strife within other political parties, the crushing defeat of Nur Otan's opponents was

inevitable. "Minor violations" of the voting procedures, recognized also by election authorities, were largely ignored by international observers and drowned in positive assessments of the "progress" made by Kazakhstan since the last parliamentary elections. To outsiders, the façade of the election scene in Kazakhstan may seem to be flawless. Seven political parties participated in the elections, and no serious conflict between authorities and observers was reported, all political parties had access to media during the election campaign and voters were given the choice to use either ballot papers or electronic voting machines.

But preoccupied with the democratic décor of the elections, the authorities appear to be losing the voters' confidence. Independent reports say that 77 percent of the electorate in Astana and 60 percent in Almaty did not go to the polling stations. The turnout was higher in law abiding rural areas, where local akims from Nur Otan's ranks easily affect the minds of the people.

Parliamentary elections in Kazakhstan revealed what some Russian observers call Asian-style democracy with European content. Shoring up his decaying Nur Otan party through controversial constitutional amendments, and using an enormous propaganda machine and whisking away criticism from the West, Nursultan Nazarbayev appears to have made a decisive move towards the perpetuation of his authoritarian power. In his recent interview to the Russian Vesti television program, Nazarbayev praised Russian President Vladimir Putin as a wise political leader who deserves life-time presidency. It is quite logical that President Nazarbayev, growing impatient with western pressure for comprehensive political reform, loathes any change of the political environment and turbulence in the region. But the stunning election victory of Nur Otan may also prove costly to the regime if the party fails to meet its pre-election promises and sticks to iron-hand rule.

COLLAPSED BUILDING REVEALS GOVERNANCE PROBLEMS IN AZERBAIJAN

Azer Kerimov

On August 28, a 16-story building collapsed in the center of Baku, capital of Azerbaijan. The building was about to be completed, and several families had even moved into apartments on the first and second floors. According to official data, fifteen persons who had been working in the building as laborers died, and three more were wounded. It is still unclear how many additional bodies are trapped under the ruins, but the numbers vary from a few to several dozen. Most of the deceased laborers were from the Archivan village of Astara region near the Iranian border, indicating the level of economic migration within the country.

The collapse of this building came only a few days after another accident, in which a two-story building broke down, killing two and wounding several more in the suburbs of Baku. The first accident did not cause loud alarms, but coupled with the new accident starts, political noise is beginning to rumble.

President Aliyev and other senior leaders of the country immediately visited the scene of the accident. Teams from the Ministry of Emergency Situations and other ministries, such as Defense, Internal Affairs and Health also sent troops to help the victims. On the following day, President Aliyev summoned a Cabinet meeting, in which the issue of constructions in Baku was discussed. Later, he issued a decree, creating a state commission headed by Deputy Prime Minister Abid Sharifov to deal with this accident. At the same time, it was ordered to start checking the quality of construction in the rest of the city as well.

Construction quality problems is indeed being named as the main reason for the collapse of

this building. The *Mutafakkir* company that conducted the construction works has been blamed for using low quality construction materials, violating basic engineering norms, safety standards and ignoring the requests of citizens as well as government officials. Four top managers and owners of the company have been arrested, and criminal charges have been opened against them.

The independent newspaper *Zerkalo* put forward a hypothesis that the accident took place as a result of terrorism, which was planned by the Russian special services. The authors of the article linked this theory to the eternal fear in Azerbaijani society of a desire by Russian politicians to destabilize the situation in the country, especially ahead of Presidential elections scheduled for fall 2008. The article was immediately ridiculed not only by officials, but also by most of the public. The public view seems to be that the accident happened because of the ignorance of local officials.

The mayor of Baku, Hajibala Abutalibov, has rejected all accusations towards him, saying that the company in question had no license to operate in the country. Most residents and media outlets simply laughed at this statement. Akif Guliyev, a resident in the nearby street, put the matter succinctly: "how is it possible that when someone is building a small kiosk, the mayor's staff immediately visit the owner and demand documents; and now this 16-story building is under construction, and no one has ever heard of it?"

In fact, the mayor and other government officials are increasingly blamed by public for the collapse of the building, in fact more than the construction company itself. The

construction boom in Baku has taken on an unprecedented, often uncontrolled scale since the early 2000s. Mayor Abutalibov has been issuing permissions for construction left and right, without taking into considerations basic principles of street and community planning, respect for Baku's general city plan, safety standards and greening areas. The price for land and apartments has increased so much as a result of these construction projects and high demand from construction companies, that it has become one of the most lucrative businesses. High-level government officials are often cited as being linked to these construction works.

The accident also revealed some other social and economic problems, such as the absence of

labor agreements between the workers and company owners, lack of safety equipment for workers on the construction site, and a lack of company procedures to pay compensation to the laborers. All of these issues must be regularly monitored and checked by the relevant government agencies, especially Ministry of Social Welfare, Pension Fund, and others.

Ordinary residents have little hope that the situation will improve. Others simply regret that the mayor has been permitted to ruin their city. Construction works are continuing in other parts of the city, and the accident of the last week seems to be forgotten. The era of wild capitalism is trumping the ability of the government to monitor the safety and accuracy of these construction sites.

SOVIET LEGACY: TAJIK-UZBEK WATER DISPUTES

Sergey Medrea

Bilateral relations between Tajikistan and Uzbekistan have hardly been friendly and constructive since the 1990s, but now, with Tajikistan seeking to become a leading power exporter and Russia agreeing to finish the construction of the Rogun hydroelectric station (represented by RAO EES instead of the privately owned Rusal), energy politics may cause even further tensions with Uzbekistan.

During the proceedings of the Shanghai Cooperation Organization (SCO) summit held in Bishkek, Uzbek president Islam Karimov expressed worries over transnational water issues. Consequently, he asked for guarantees that the construction of new hydroelectric stations will not disrupt established water-sharing practices – and that the interests of

the downstream states (Uzbekistan, Kazakhstan and Turkmenistan) will be taken into consideration.

This intervention could be read as one of the series of moves designed to oppose Russian, Chinese, and Iranian plans in developing hydroelectric stations in Tajikistan. Tajikistan, the main winner in this economic plan, awaits considerable investment and solid future profits from these projects, including a much needed economic boost and the improved living conditions thereof.

Water management was highly centralized during Soviet times; the upstream republic of Tajikistan was instructed to accumulate water in its reservoirs in winter and to release it downstream at the beginning of the irrigation season to Uzbekistan. In return, Uzbekistan provided the upstream neighbor

with the fuel and natural gas needed for the winter. This barter of water for energy solved both the Uzbek need for uninterrupted water supplies during the agricultural season (mainly, cotton plantations) and the Tajik energy deficits appurtenant to the country's dearth of resources.

After the collapse of the USSR, when both Tajikistan and Uzbekistan gained their independence and began competing for the much-needed foreign investments they needed in order to pursue economic development, the centralized management of water resources proved highly inefficient. For Tajikistan, the Soviet-era balance of water usage meant partial stopping of its hydroelectric stations, the main source of energy during the winter season – to save water for the Uzbek irrigation season. This meant that Tajikistan bought much-needed energy and gas from Uzbekistan; this dynamic changed dramatically when Uzbekistan started raising prices, to the level of world prices. The intergovernmental annual agreements between Uzbekistan and Tajikistan arranging the water for gas and other fuels barter are rarely fulfilled and, through the years, they became the fount of all kinds of international disputes. Finally, Uzbekistan raised prices of gas from US\$55 to US\$100 per thousand cubic meters of gas, thus managing to stop gas flow into Tajikistan every time the recipient could not afford to pay the steep price.

Thus, Uzbekistan gradually resigned from selling Tajikistan gas or energy, alluding to Tajikistan's high debt for gas and energy, as well as its incapability to pay for these commodities. This created successive energy crises in Tajikistan, the country now being faced with net energy deficits. The answer to the problem took the form of a new number one priority: to become energy independent. In pursuit of this goal, Tajikistan has been quite successful in finding investors. Following this early success, Tajikistan seeks international recognition of water as a valid commodity to be bartered against

neighbors' fossil fuels. The special edge of this endeavor hinges on Uzbekistan consuming most of the region's water. Naturally, this gave rise to Uzbek objections, resting on the claim that water naturally flows across boundaries and is thus a shared rather than private good.

Fortunately, these disputes are not irresolvable: cooperation and compromise in managing and sharing transnational water resources is likely to lead the two countries to some form of agreement. The contracts on the barter of water for some fossil resources, inasmuch they are fulfilled in due time, without any violations, could make the countries cooperate on sharing water resources. The rational use of water, as well as reforms in agriculture, can point to another resolution of the dispute: Kazakhstan lowered its need for irrigation twice, first by undertaking agricultural reforms and, second, by changing the draining system and water pipes, to increase efficiency. Uzbekistan may choose to follow this path: proofing irrigation channels with anti-infiltration coverings, alongside the replacing of obsolete irrigation systems, will certainly decrease the demand for water significantly – and there is an added advantage here, as regards living standards, as the population involved in agriculture direly needs more efficient methods of securing their basic income.

Finally, the possibility of the SCO solving the problem in the common interest should not be forgotten, as it could feasibly be accomplished by developing a new regional economic strategy for shared water use, something direly in need, given the significant economic changes in the Central Asian economy after the fall of the Soviet Union. But whether or not initiatives in this direction will be pursued is yet to be seen.

PRESIDENT KARIMOV VOICES ENVIRONMENTAL CONCERNS

Erkin Akhmadov

During the Shanghai Cooperation Organization summit that took place in Bishkek on August 15-16, 2007, the leaders of the five member states discussed issues of energy, security and cooperation. The speech of Uzbekistan's President emphasized the importance of regional security in light of the situation in Afghanistan and environmental issues with stress on the water resources.

Many issues of regional and organizational concern were raised at the summit. Uzbekistan's President Islam Karimov chose to speak about the ecological problems of the world, and of Central Asia in particular. He began with talking about the growing importance and authority of the Shanghai Cooperation Organization, further increase and deepening of economic cooperation based on the realization of large interstate projects in the sphere of communication, fuel-energy, and effective rational use of water and mineral resources. Also he noted that construction of modern plants on the basis of joint investment projects in the sphere of technology could serve as a primary factor in the solution of the acute problems of employment, stable economic development and finally social-economic security and stability of the region.

President Karimov specifically noted that the water management crisis could contrive ecological problems in the downstream areas of the Amu Darya and Syr Darya Rivers, hasten the dry-out of the Aral Sea, and thus worsen living conditions for millions in Uzbekistan, Turkmenistan and Kazakhstan. Outlining possible ecological catastrophes in Central Asia, Karimov referred to the UN Conventions on protection and use of transboundary water currents, calling for the provision of independent expertise of construction projects by neutral international audit organizations.

Evidently Uzbekistan (as other downstream Central Asian states) is concerned about the ongoing project of building the Rogun Dam on the Vaksh River in Tajikistan. Its construction started in 1976, but the government of Tajikistan still struggles to finish the project. In 2004, the Russian company RusAl concluded a partnership with Tajikistan to complete construction of the dam. However, on August 29, 2007 the agreement was nullified, when the Tajik government and RusAl failed to reach agreement on the height and size of the hydroelectric station. The Tajik government decided to complete the construction of the station on its own, putting out an international tender. If finished, the Rogun hydroelectric station would be the biggest water energy producing station in Central Asia, taking one of the leading energy-providing positions in the region.

By the end of the SCO summit, leaders of the member-states agreed to create a "unified energy market" that would bring energy resources from member countries rich in oil and natural gas to those that need such resources to promote their development.

Russian President Vladimir Putin had lobbied for such an agreement ahead of the summit, saying that greater energy cooperation would be "a powerful impetus to regional projects in the interest of all SCO member states." Before the start of the summit, President Putin said his country would invest \$2 billion in Kyrgyzstan, adding that Russia will fund "only good projects."

Earlier this year, on April 6, the UN's Intergovernmental Panel on Climate Change (IPCC) issued a report on the environmental situation in Central Asia. It described major environmental problems in the region, identifying water supply as a significant problem. To avoid

economic and political disasters, experts said, immediate reforms in the water and agricultural sectors are needed. Since the collapse of the Soviet Union in 1991, hundreds of inter-governmental documents have been signed on water policy. Yet none of them are legally binding. Thus, tension over water resources – pitting upstream (Kyrgyzstan and Tajikistan) against downstream nations (Uzbekistan, Turkmenistan and Kazakhstan) – continues to plague regional relations. Peter Bloch, an agrarian reform expert who has worked on a variety of donor-funded programs in Uzbekistan thinks “in Uzbekistan there is a huge potential for water savings with relatively minor investments in equipment.” The report concludes that environmental degradation and water scarcity have the potential to propel Central Asia into a downward spiral of conflict.

Meanwhile, on August 22, the deputy permanent representative of the UN Development Program in Uzbekistan, Ms. Kioko Postil released a new publication on “Perspectives for the Development in Renewable Energy in Uzbekistan” compiled together with the Ministry of Economics of Uzbekistan. It is about using sun and wind energy, natural water currents and biogas. The publication aims to raise awareness among the local

community, as well as academic and scientific circles, about the potential of renewable energy resources in Uzbekistan. There are already several projects operating in Uzbekistan in the sphere of renewable energy: the research and practice center “Energiya”, and a data bank on renewable energy sources; “Foton” ltd. started producing solar water-heating panels.

After the expressed concern of the Uzbek President, Tajikistan’s President Imomali Rahmon assured that he “will never and under no circumstances embark upon hydro-energy projects that could possibly harm neighbors”. Although potential consequences of the project were presented as the main concern of the Uzbek side, there is certainly political interest involved. Islam Karimov is worried that a very high dam (it is planned to be 335 meters high) will allow Tajikistan to regulate the water drainages that irrigate Uzbek valleys, and Tajikistan may gain a political instrument of pressure on Uzbekistan. Calling for international audits and thus the attention of the international community constituted an attempt to lower the growing tensions. The only question is how much help the international community could provide in states that regularly evade international legal rules when their own interests are at stake.

NEWS DIGEST

SUKHUMI WARNS TBILISI ON ABKHAZ AIRSPACE VIOLATION

23 August

Abkhazia claims that a Georgian aircraft violated its airspace on Wednesday and vowed an adequate response. "Abkhazia has drawn the attention of international mediators and participants of the negotiating process to the violation of Abkhaz airspace and thinks it necessary to warn Georgia that such provocations will be adequately assessed and will be followed by appropriate actions from Abkhazia," the Abkhaz foreign ministry says in a statement published on Thursday. "While Georgia attempts to accuse Russia of violating Georgian airspace, provocative actions are committed and such actions can lead to open confrontation between the sides," it says. On Wednesday, at 9:35 p.m. Moscow time, an aircraft entered Abkhaz air space from Georgia and "circled territory in the Gali district [bordering on Georgia]. About the same time a similar airspace violation was registered in the Kodori Gorge," it says. (Interfax)

OMON CONVOY ATTACKED IN DAGESTAN; 2 KILLED, 7 WOUNDED - POLICE

23 August

Two police officers were killed and seven others wounded in an assault on a police convoy in the Buinaksk district of Dagestan, a duty officer of the Buinaksk district police department told Interfax. "Unknown gunmen opened fire on a OMON convoy returning from the Untsukul district. Two OMON officers were killed and seven others wounded. Five of them are in serious condition. The wounded were taken to the Buinaksk district hospital. Additional police units have arrived on the scene. They are combing the area looking for the attackers," the office said. The incident happened at about 3.30 p.m. Moscow time near the Gimri tunnel, which connects the mountainous and lowland districts of Dagestan, the officer said. (Interfax)

RUSSIAN AIR FORCE DENIES RUSSIAN PLANE SHOT DOWN IN GEORGIA

24 August

The Russian air force branded as "one more provocative piece of information" a Georgian media

report that a Russian warplane was shot down on Friday over the Kodori Gorge in Georgia's breakaway Abkhazia region. "It is one more provocative piece of information directed against us," air force spokesman Alexander Drobyshvsky told Interfax. "I state once again that no aircraft of the air force of the Russian Federation has violated the border with Georgia. All air force aircraft are currently on airfields, and the pilots are having a rest," he said. "If one analyzes all Georgian statements about air space invasions, all of them are launched at night, strange as it is," Drobyshvsky added. (Interfax)

TAJIK PRESIDENT INAUGURATES NEW BRIDGE TO AFGHANISTAN

27 August

President Rahmon participated on August 26 in a ceremony with Afghan President Hamid Karzai marking the establishment of a new bridge linking Tajikistan and Afghanistan, RFE/RL's Tajik Service reported. Rahmon hailed the 700-meter bridge, which spans the Pyanj River and was largely financed by the United States, as a "bridge of friendship," but stressed that the Tajik and Afghan authorities must "prevent all kinds of inadmissible activities such as human, drug, and weapons trafficking" over the bridge. Tajikistan and Afghanistan have also agreed to create "free economic zones" on both sides of the bridge and have pledged to ease customs and visa regimes to promote greater bilateral trade. The ceremony was also attended by U.S. Secretary of Commerce Carlos Gutierrez, who noted that the bridge will serve as the "widest connection" between Tajikistan, Afghanistan, and the rest of the world. He added that the bridge "will be open 24 hours a day with customs and border facilities on both sides, and the capacity to handle 1,000 vehicles every day." The completion of the new \$37 million bridge replaces the intermittent ferry service that was the only previous link over the river. (RFE/RL)

KAZAKHSTAN HALTS OPERATIONS AT MAJOR OFFSHORE OIL FIELD

27 August

Kazakh Environmental Protection Minister Nurlan Iskakov announced on August 27 that the Kazakh government has shut down operations at the offshore

Kashagan oil field for three months due to alleged violations of environmental-protection laws committed by the project operator. Iskakov said the move was necessitated by concerns that continued operations at the Kashagan field may cause "irreparable environmental damage." The project is headed by the Italian energy group Eni, a subsidiary of Italy's Agip. The head of the Kazakh Finance Ministry's Customs Control Committee, Serzhan Duysebaev, reported on

August 27 that a criminal case has been initiated over alleged evasion of customs tariffs and levies by several unnamed senior Eni executives. The Italian company has been coming under increasing pressure from the Kazakh authorities over mounting problems, most recently when operators shifted the target date for the start of production from 2008 to late 2010 and raised cost projections from \$57 billion to \$136 billion. The rights to develop the Kashagan oil field were first granted in early 2004 to an international consortium led by Agip that included British Gas, ExxonMobil, Shell, Total, ConocoPhillips, and Inpeks. The Kashagan field holds between 7 billion and 9 billion tons of proven reserves, making it the single largest oil field discovered in the last three decades and the fourth- or fifth-largest in the world. (Itar-Tass)

KYRGYZ SPEAKER EXPELLED FROM UNIVERSITY

28 August

Kyrgyz parliament speaker Marat Sultanov has been expelled from the Kyrgyz-Russian Slavonic University for missing too many classes. Sultanov, who was enrolled as a law student in the university's 2 1/2-year distance-learning program, appealed on August 28 to be reinstated as a first-year law student, citing his job as speaker as the reason for his absences. (24.kg)

KYRGYZSTAN TEMPORARILY CUTS ELECTRICITY FOR RUSSIAN BASE

28 August

An unnamed official of the Kyrgyz Defense Ministry confirmed on August 28 that electricity for the Russian military base outside of Bishkek was cut off by the Severelektro state electricity-distribution company for three days due to "outstanding bills" amounting to 501,000 soms (about \$10,000). The official added that senior officers at the airbase had been notified of the arrears more than once. He said that electricity was cut off only to base residences and not to the airfield's operational facilities. Electricity for a Kyrgyz Defense Ministry depot, which is also located at the Kant air base, was also cut off for the same reason. This is the first time that electricity has been cut off for military units because of unpaid bills, and seems related to a

disagreement over the past practice of utilities for the Russian base being paid by the Kyrgyz authorities. Under a larger agreement, Kyrgyzstan pays for all telecommunications, water, and utility expenses for the Russian base. Russia recently announced plans to expand its presence at the Kant base, adding that the number of Russian personnel will be enlarged. Kyrgyzstan also recently confirmed that it expects to receive military equipment worth \$2.5 million from Russia this year, compared to \$2 million in 2006. The donations are intended as compensation for the use of the Kant base. As of June, 250 Russian Air Force officers and 150 personnel were stationed at the base, which is home to five Su-25 attack aircraft and two Mi-8 helicopters. (akipress.org)

KAZAKHSTAN STRIPS TWELVE OF CITIZENSHIP

28 August

An unnamed official of the Kazakh National Security Committee (KNC) announced on August 28 that 12 residents of Kazakhstan's Zhambyl and South Kazakhstan regions have been stripped of their citizenship for their "involvement in illegal armed gangs in the Middle East." The Kazakh nationals reportedly had ties to the People's Congress of Kurdistan (Kongra-Gel), an outlawed group labeled by the Kazakh authorities as a separatist terrorist organization since 2004. The KNC official further said that some 40 Kazakh nationals "from various ethnic groups left for mountainous regions of southeastern Turkey, Syria, Iran, and Iraq" to join the Kurdish group between 1995 and 1999. (Kazakhstan Today)

KAZAKH INTERIOR MINISTRY ANNOUNCES SEIZURE OF WEAPONS AT FORMER MINISTER'S HOME

28 August

Kazakh Interior Ministry spokesman Bagdat Kozhakhmetov announced on August 27 the seizure of "a variety of illegal weapons" discovered by police during a search of the home of Mukhtar Aliev, a prominent former minister. Aliyev, a former health minister, is the father of Rakhat Aliev, a former son-in-law of Kazakh President Nursultan Nazarbaev who faces criminal charges ranging from kidnapping and murder to corruption and money laundering. Police investigators are reportedly testing the weapons to see if they were used in the alleged abduction of and assault on two senior officials of Nurbank, which the younger Aliev controlled until the authorities recently seized it, along with several of his other business interests. The younger Aliev remains in self-imposed exile in Vienna, where he once served as the Kazakh ambassador. (RFE/RL)

KAZAKH STATE-OWNED ENERGY FIRM TAKES CONTROL OF ROMANIAN ENERGY COMPANY

28 August

Dinu Patriciu, the chairman of Romania's Rompetrol energy company, announced on August 27 the sale of a majority of its shares to Kazakhstan's state-owned KazMunaiGaz firm, according to RFE/RL's Romania-Moldova Service. The deal, which involves the sale of a 75-percent share of the Romanian firm for \$3.6 billion, is the latest in a series of moves by Kazakhstan's state-owned energy groups to increase their role as major energy producers beyond the Central Asian region. If the sale is approved by the European Commission, it will effectively double KazMunaiGaz's refining capacity and provide access to some 630 petrol stations held by Rompetrol across seven European countries. Rompetrol is the second-largest petroleum company in Romania. (RFE/RL)

TAJIKISTAN CANCELS CONTRACT WITH RUSSIA'S RUSAL

29 August

Tajikistan has canceled a contract with the Russian company OAO Rusal for completion of a giant hydroelectricity project seen as a substantial boon to the impoverished Central Asian country, the government said Wednesday. Rusal, however, said it was unaware of any changes. Tajikistan and Rusal signed a US\$1 billion contract in 2004 for completion of the Rogun project that is to include the world's highest dam. The project was begun when Tajikistan was part of the Soviet Union, but stalled in the economic chaos that followed the Soviet collapse. But the contract became mired in disputes between Tajikistan and Rusal, including over the size of the dam, the materials used in it and how much of the electricity generated by the project would be sold to Rusal's energy-hungry aluminum plants. The office of President Emomali Rakhmon, which announced the cancellation of the contract, said the government has decided to create an open-stock company to undertake completion of the project. A Rusal representative in Tajikistan, Konstantin Zagrebelny, said he had not been informed of the decision and could not comment. In a statement, Rusal said it was unaware of any changes in its participation in the project. It said it was contracted by the Russian government, which is an equal partner in the project under an agreement with Tajikistan, and that the work it has done was in full compliance with the provisions set forth in the agreement. Tajikistan's fast-flowing mountain rivers have a potential hydropower capacity of 527 billion

kilowatt hours a year, among the largest in the world. (AP)

ALL CHARGES DROPPED AGAINST SUSPECTS IN KAZAKH KIDNAPPING CASE

29 September

Marat Murzin, a defense attorney for one of five suspects arrested in connection with the attempted kidnapping of two Kazakh bank executives, announced on August 29 that prosecutors have dropped all criminal charges against the men. Murzin represents Abilmazhen Gilimov, the former chairman of the board of directors of the Nurbank, who was charged along with several unnamed police officers in connection with an "attack" on the Nurbank offices, a bank controlled by Rakhat Aliyev, the former son-in-law of President Nazarbaev. The two Nurbank officials, Zholdas Timraliev and Aibar Khasenov, are still missing and are believed to have been killed. The "attack" on the bank and related kidnapping was reportedly intended to force the executives to sell their interests in a building in Almaty. Aliev, until recently the Kazakh ambassador to Austria, remains in Austria after a Kazakh extradition request was rejected by an Austrian court on the grounds that Aliev cannot expect to receive a fair trial in Kazakhstan. The criminal case has recently expanded even wider, with the recent issuing of an international arrest warrant for General Alnur Musaev, a former chairman of the National Security Committee, and by new links to the murder of a television reporter, Anastasiya Novikova. (Interfax-Kazakhstan)

KAZAKH PRESIDENT REMOVES SON-IN-LAW FROM STATE POST

29 August

President Nursultan Nazarbaev on August 28 ordered the dismissal of his son-in-law, Timur Kulibaev, from a senior position at a major state-asset management firm, RFE/RL's Kazakh Service. The 40-year-old Kulibaev, who is married to the president's middle daughter, Dinara, has served as the deputy chairman of Samruk, a state agency that oversees government shares in the energy and other key sectors, since its formation in January 2006. He previously held top posts with the KazMunaiGaz and KazTransOil state energy companies. No explanation was given for the dismissal, which follows the recent appointment of the head of Samruk, Sauat Mynbaev, as the new energy and mineral resources minister. (RFE/RL)

ARMENIAN PRESIDENT CONGRATULATES NEWLY ELECTED TURKISH COUNTERPART

30 August

Robert Kocharian has written to former Turkish Foreign Minister Abdullah Gul to congratulate him on his election as president, RFE/RL's Armenian Service reported on August 29. The text of the message was not made public. Armenian Foreign Minister Vartan Oskanian, who has met on several occasions in recent years with Gul, sent a similar message. Analysts in Yerevan do not anticipate any fundamental change in Turkish foreign policy as a result of Gul's election since, as Giro Manoyan of the Armenian Revolutionary Federation-Dashnaksutiun pointed out, foreign policy is the prerogative of Turkey's government, not of the president. (RFE/RL)

ARMENIAN GOVERNMENT APPROVES PENSION INCREASE

31 August

Vazgen Khachikian, the director of the Armenian state pension fund, announced on August 30 that the Armenian government approved a 60 percent increase surge in pensions, according to RFE/RL's Armenian Service. The increase, to become effective on January 1, will raise the monthly pension payments for hundreds of thousands of elderly citizens to an average of about 20,000 drams (\$60) per month. The move was widely expected after its inclusion in the five-year government program that was approved by parliament in June. Khachikian also said that the increase was part of a longer-term effort to bolster the country's weak social safety net, noting that the government plans to gradually raise the average pension to at least 36,000 drams (\$105) by the year 2012. (RFE/RL)

ARMENIAN SCHOOL BUILDING EVACUATED AFTER BOMB WARNING

31 August

A public school building in central Yerevan was evacuated on August 30 after a school administrator received a telephone call warning that "an explosive device was planted in the school," RFE/RL's Armenian Service reported. Police and emergency responders searched the area but were unable to locate any explosives at the secondary school. Several dozen teachers and administrators were evacuated from the school, which is not due to open until the resumption of classes on September 3. A previous bomb threat led to the evacuation of a building housing a government office in Yerevan, although no bomb was found in that incident, which was later traced to an elderly man with a history of mental illness. (RFE/RL)

AZERBAIJANI OFFICIALS ANNOUNCE ARRESTS IN FATAL BUILDING COLLAPSE

31 August

In a joint statement issued in Baku, officials from the Azerbaijani Prosecutor-General's Office, the Interior Ministry, and the Emergency Situations Ministry announced on August 29 that the head of a local construction company and three others have been arrested on charges of criminal negligence in the collapse of a 16-story apartment building in Baku's Yasamal district, according to RFE/RL's Azerbaijani Service. Commenting on the arrests, Prosecutor-General Zakir Qaralov further warned on August 30 that unnamed "top officials who issued illegal permission for the construction work might be arrested during the investigation." The multistory apartment building, which was undergoing unsanctioned construction, collapsed on August 28, killing at least eight people and injuring several more, in what state building inspectors said were gross violations of relevant safety codes. Police reported on August 30 that between 15 and 50 people remain trapped under the rubble of the collapsed building. As rescue workers continued to search for survivors, however, the death toll was raised on August 30 to 13 dead. (RFE/RL)

BLAST KILLS 4 POLICE IN RUSSIA'S INGUSHETIA

31 August

A "terrorist" blast killed four police and injured one on Friday in Nazran, the capital of Russia's southern province of Ingushetia, which borders Chechnya, Ingushi officials said. "It was a terrorist act," a duty officer at the regional prosecutors' office told Reuters by telephone. The officer said a police patrol was dispatched in a jeep to check reports a Russian-made Lada car packed with explosives was parked next to the cultural centre in the town's centre. "When police approached the Lada, it blew up," he said. "There was virtually nothing left of the Lada car. "Three policemen were killed and two were injured." Russian news agencies later said one of the injured died in hospital. The interior ministry initially said the blast was the result of a traffic accident. But it later called the explosion a "terrorist act." "Information collected by investigators show there was an explosive device equivalent to 2 kg (5 lb) of TNT," Interfax news agency quoted a police spokesman as saying. A series of recent attacks against officials and police, blamed on Islamist rebels, has heightened security fears in Ingushetia. Earlier this month 2,500 troops were sent to the region to support local security forces. Security was especially tight ahead of the start of the school year in Russia on September 1. A big school is located next to the scene of the blast. (Reuters)

IRAN, ARMENIA TO CUT TRADE TARIFFS

4 September

The head of Iran-Armenia Joint Chamber of Commerce announced here on Tuesday that the sides' trade tariffs will decrease to help grow bilateral economic cooperation. Levon Aharonian told MNA that the tariffs of some products will slump to zero. Despite the sides' high economic potentials, the trade volume, valued at about \$200 million, is not desirable and has to reach one billion dollars per annum. He referred to construction of Aras 170MW hydroelectric power plant, establishment of railway linking the two states, and transmission of power to Armenia and Georgia, predicting a rising trade volume for the countries.

The sides made the decisions in the seventh session of the Iran-Armenia Joint Economic Cooperation Commission in Yerevan. The commission was chaired by Iranian Foreign Minister Manuchehr Mottaki and Armenian Energy Minister Armen Movsisyan. The commission discussed cooperation in the areas of trade, energy, health, transportation, science, and culture. (Mehr News Agency)

GABALA RADAR THEME OF TRILATERAL EXPERT CONSULTATIONS**3 September**

The Russian-US-Azerbaijani consultations on the Gabala radar due on September 15 will be held at expert level, Hazar Ibragim, the head of the press centre of Azerbaijan's Foreign Ministry, told a briefing in Baku on Monday. "The discussions will be held at the Azerbaijani Foreign Ministry, and then experts will go to Gabala to see the radar station," the head of the press centre said. This is the first time that the date of the trilateral consultations, September 15, was announced last Friday in Baku where Russian Deputy Prime Minister Sergei Naryushkin is on a working visit. "The work of the group of experts will largely show how the situation regarding the problem of the joint use of the radar and the problem of anti-missile defences develops on the whole," the Russian deputy premier said. Azerbaijan Foreign Minister Elmar Mamedyarov and Russian Deputy Foreign Minister Grigory Karasin discussed questions connected with the upcoming consultations in Baku past Friday. (Itar-Tass)

TURKMEN PRESIDENT OFFERS BOUYGUES TO DESIGN SEAPORT, AIRPORT**4 September**

Turkmen President Gurbanguly Berdymukhammedov has offered the French company Bouygues to design a seaport and an airport of the Turkmenbashi city and draft a project of the reconstruction of the Ashgabat international airport, the presidential press service

said. Bouygues is the general contractor of the modern administrative and cultural center of the Turkmen capital city. The cost of Bouygues projects in that city, including the presidential palace, banks, ministries, theatres and museums, exceeds \$1.5 billion. The company has joined the Avaza tourist zone project in the Caspian Sea area and presented a plan of a future hotel, which will incorporate a yacht club, oceanographic and exhibition centers and an amusement park. Berdymukhammedov also wants the company to design an artificial river, which will connect Turkmenbashi and Avaza for navigation and recreation purposes. (Itar-Tass)

CTC MEDIA BUYING 60% OF KAZAKHSTAN'S CHANNEL 31 FOR \$65 MLN**4 September**

CTC Media, Russia's leading independent television broadcaster, announced today that it has entered into a definitive agreement to acquire a majority financial interest in Channel 31 group, one of the leading broadcasters in Kazakhstan, for approximately \$65 million in cash, and registered a broadcasting company in Uzbekistan, CTC Media said in a press release. "In Kazakhstan, following the closing of the transaction, which is expected to take several months, CTC Media will hold a 20% participation interest in Channel 31 and majority ownership positions in affiliate companies that will provide the advertising sales function and programming content for Channel 31," the release says. "These interests will provide CTC Media with a right to 60% of the economic interest of the Channel 31 group and will enable it to consolidate the financial statements of Channel 31 group with its own," the release cites Alexander Rodnyansky, CEO of CTC Media, as saying. "We are excited about the opportunity the Kazakhstan market presents. This is a country with a population of more than 15 million people and a fast-growing economy. It has significant potential for further growth in the television advertising market which industry experts estimated at approximately \$200 million in 2006 and is the third largest among the countries of the former Soviet Union behind Russia and Ukraine," Rodnyansky said. CTC Media controls Russia's CTC and Domashny TV channels. The largest CTC shareholders are Sweden's Modern Times Group (39.6%), Alfa Group (26.1%), Access Industries (6.1%) Fidelity Investments (5.6%) and company head Alexander Rodnyansky (4.4%). A total of 16.4% of CTC shares circulate on the NASDAQ. (Interfax)

ONE POLICEMAN KILLED, FOUR WOUNDED IN CHECHNYA

4 September

One policeman was killed and four others were wounded in the settlement of Glukhoi in Chechnya's Itum-Kali region late on Monday, a spokesman for the Chechen Interior Ministry told Itar-Tass on Tuesday. According to Magomed Deniyev, "at about 11 pm, Moscow time, on Monday, a group of 12 to 15 gunmen shelled and set on fire the house of the head of the Glukhoi administration, Shamsudi Dadayev, as well as shelled a school". "A policeman was killed and four other policemen received wounds as a result," the ministry press secretary said. An investigation group is working at the site. (Itar-Tass)

TWO NATO SOLDIERS, 50 REBELS SAID KILLED IN AFGHANISTAN**5 September**

Days of intense fighting continued in Afghanistan Wednesday with two NATO soldiers killed and 75 more rebels reported dead, including in new battles in an area where Taliban seized a group of South Koreans. The new tolls take the number of rebels killed in just over a week to more than 300, according to an AFP count based on reports. The two international soldiers were killed while on patrol in the volatile south of the country, the NATO military force said, without giving the nationalities of the casualties or details of the incident. Another soldier and an Afghan interpreter were wounded. Most of the 158 foreign soldiers to die in Afghanistan this year were killed in action, with the steadily mounting toll causing some alarm in countries sending troops to Afghanistan as part of the US-led "war on terror." There was meanwhile a second night of fighting in the central province of Ghazni, where the Taliban freed last week 19 South Korean Christian aid workers they had captured six weeks earlier. The US military said several militants were killed. Ghazni province police chief Alishah Ahamdzai said around 30 Taliban fighters had died in fighting in two districts of the restive province. There was no way to independently verify the death toll. A Taliban spokesman, Yousuf Ahmadi, confirmed the clashes but said all the dead were civilians. The Taliban often falsely report civilian casualties. The rebels were themselves responsible for killing about 260 civilians this year in bomb blasts and other attacks, security officials said in Kabul Wednesday. The hardliners shot dead two of

their 23 Korean hostages in July and released two in mid-August before freeing the remainder after striking a deal with Seoul. About 16 rebels, including a commander involved in the kidnappings, were killed in a first night of clashes in Ghazni on Tuesday, police said. Police and the coalition told AFP the latest operations in Ghazni were routine and not in retaliation for the kidnappings. (AFP)

IRAN HANGS 17 DRUG SMUGGLERS**5 September**

Iran has hanged 17 men on Wednesday in the latest round of group executions over the past few months, state media reported. "After legal procedures, 17 individuals were hanged on the charges of drug smuggling in Khorasan Razavi province this morning," state television reported. The province borders Turkmenistan and Afghanistan, a major source of the world's heroine, some 1,000km east of the capital Tehran. Over July and August, Iran hanged 21 other people on charges of rape, robbery and kidnapping, which along with drug trafficking, are all capital offences in Iran. (AP)

AZERBAIJAN SAYS ARMENIA VIOLATED TRUCE**5 September**

A skirmish near the disputed territory of Nagorno-Karabakh killed two Azerbaijani soldiers and three Armenian troops, Azerbaijani officials said Wednesday. Authorities in Nagorno-Karabakh denied the claim. Azerbaijani Defense Ministry spokesman Ilgar Verdiyev said the incident occurred Tuesday when Armenian forces fired on Azerbaijani positions in the Agdam and Fizuli regions near the boundary of Nagorno-Karabakh. Armenian military spokesman Senor Asratian in Nagorno-Karabakh denied there had been any fighting. The incident underscored mounting tension in the disputed territory, which is officially in Azerbaijan but has been controlled — along with some surrounding areas — by local and Armenian forces since 1994. Nagorno-Karabakh has been governed by a shaky cease-fire agreement that ended a six-year separatist war in 1994. Some 30,000 people were killed and about 1 million driven from their homes during the fighting. Ethnic Armenians now account for virtually the entire population of the territory. (AP)