

Central Asia-Caucasus Analyst

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Central Asia- Caucasus Institute
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THE CENTRAL ASIA-CAUCASUS ANALYST

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The Central Asia-Caucasus Analyst is an English language global Web journal devoted to analysis of the current issues facing the Central Asia-Caucasus region. It serves to link the business, governmental, journalistic and scholarly communities and is the global voice of the Central Asia-Caucasus Institute & Silk Road Studies Program Joint Center. The Editor of the Analyst solicits most articles and field reports, however authors may suggest topics for future issues or submit articles and field reports for consideration. Such articles and field reports cannot have been previously published in any form, must be written in English, and must correspond precisely to the format and style of articles and field reports published in *The Analyst* (www.cacianalyst.org) and described below.

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Analytical Articles: Analytical articles require a three to four sentence Key Issue introduction to the article based on a news hook. Rather than a general, overarching analysis, the article must offer considered and careful judgment supported with concrete examples. The ideal length of analytical articles is between 1,000 and 1,300 words. The articles are structured as follows:

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

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

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

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

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

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Svante E. Cornell

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AFGHAN-PAKISTANI DIFFERENCES REMAIN DESPITE RECENT AMERICAN INITIATIVES

Richard Weitz

U.S. policy makers have pursued several initiatives to reduce tensions between Afghanistan and Pakistan in order to encourage both governments to concentrate their attention on countering the Taliban and al-Qaeda members operating on their territories. These measures have included establishing a joint center for exchanging intelligence, promoting economic cooperation among border communities, and encouraging Pakistani authorities to crack down on foreign fighters located in northwest Pakistan. Despite these efforts, Pakistani and Afghani leaders still disagree over important issues, such as whether to pursue political reconciliation with the Taliban.

BACKGROUND: The political crisis in Pakistan, symbolized by the government's recent declaration of a state of emergency, has deepened U.S. anxieties about the relationship between Islamabad and Kabul. The October 2007 *National Strategy for Homeland Security* warns that al-Qaeda has "regenerated a safe haven in Pakistan's Federally Administered Tribal Areas. American officials believe that improved relations between Afghanistan and Pakistan, especially in the area of counterterrorism cooperation, are essential for managing this problem."

In return for Pakistani President Pervez Musharraf's sustained support of Washington's military, intelligence, and other efforts against al-Qaeda after the September 11, 2001 terror attacks, U.S. President George W. Bush and other members of his administration have repeatedly defended the Pakistani president against those who complain about his alleged half-hearted commitment to suppressing the Taliban insurgency.

After Democratic Senator Barack Obama and other influential Americans openly raised the option earlier this year of sending U.S. combat forces into Pakistan to attack al-Qaeda elements without Musharraf's consent, for example, Bush expressed confidence that Musharraf would suppress any al-Qaeda operatives detected in Pakistan by his own initiative.

Furthermore, the Bush administration has provided the Musharraf government with more than \$1 billion annually in foreign assistance despite the Pakistani president's failure to restore democratic rule in his country. Much of this assistance has gone to the Pakistani military, to help it buy advanced counterterrorist equipment, but the United States has also provided general and targeted economic support. At present, the administration is seeking to establish "reconstruction opportunity zones" along the Afghan-Pakistan border. Under the plan, goods produced in the zones could be sold in either country duty-free. In addition, the administration has requested a \$750 million targeted aid program for the semi-autonomous Pakistani border region of the Federally Administrative Tribal Areas (FATA).

U.S. officials hope that these economic initiatives will both curb extremism by promoting socioeconomic development in regions prone to Islamist radicalism and strengthen general commercial ties between Afghanistan and Pakistan. Analysts believe that the presence of large Pashtun ethnic tribes on both sides of the frontier facilitates the infiltration of Taliban insurgents, many of whom are ethnic Pashtuns, across their 2,430-kilometer (1,510 mile) joint border.

In addition to supporting economic development in Pashtun-populated regions, the United States also took

the lead in establishing a Joint Intelligence Operations Center in January 2007. The center provides a forum where analysts from Afghanistan, Pakistan and the NATO International Security Assistance Force operating in Afghanistan can share and evaluate data about terrorist activities along the Afghan-Pakistani border. Washington's hope is that, by sharing intelligence assessments on a daily basis, Afghan and Pakistani military representatives will better understand each other's security perspectives.

The Bush administration also played a major role in promoting the August 9-12 "Joint Peace Jirga." Over 600 representatives from Afghanistan and Pakistan attended this unprecedented tribal council, which included tribal leaders, government officials, community activists, business leaders, and other influential, primarily Pashtun figures from both nations.

The joint assembly idea originated during a White House meeting last September among Bush, Karzai, and Musharraf. Although news reports differ regarding which participant first proposed the jirga, U.S. officials have strongly supported the initiative. They hoped that the event would allow Afghanistan and Pakistan to mobilize traditional Pashtun tribal structures to reduce bilateral tensions, thereby highlighting their shared interests in regional stability. An estimated 40-50 million Pashtuns live on either side of the Durand Line, which formally divided the territory of Afghanistan and Pakistan. (Many in Afghanistan do not consider the Line a formal international border.)

Musharraf unexpectedly told Karzai the day before the joint jirga began that he would not deliver his long-planned opening address at the council. It later became apparent that he was consulting with his key advisers about whether to establish a state of emergency in Pakistan. After U.S. diplomats pressured Musharraf to rethink this last-minute decision, he ultimately accepted the Afghan president's subsequent invitation to speak at the concluding session of the jirga.

IMPLICATIONS: In addition to attending the jirga, Musharraf has taken other actions supported by Washington in the war on terror. In particular, his government has adopted a harder line toward the

activities of Islamist extremists on Pakistani territory. In July, the Pakistani security services attacked the Lal Masjid (Red Mosque) and adjacent religious school in downtown Islamabad, controlled by radical clerics, with substantial loss of life as a result.

For months, senior U.S. officials have pressured the Musharraf government to move against Taliban and al-Qaeda bases in northwest Pakistan. In early July, White House Homeland Security Adviser Frances Townsend declassified parts of a recently completed National Intelligence Estimate (NIE) on the terrorist threat to the United States. The NIE determined that al-Qaeda and the Taliban were exploiting the controversial September 2006 truce agreement between the Pakistani government and the Pashtun tribal authorities in the FATA to reestablish their operations.

In accordance with the agreement, the Pakistani government increased its economic and military aid to the tribes and withdrew Pakistani army soldiers from their jurisdictions in return for tribal leaders' pledges to deny foreign terrorists sanctuary. The tribal militias proved no match for al-Qaeda's operatives, who began establishing training camps and fortified logistical strongholds throughout the FATA.

The evidence provided in the NIE persuaded Musharraf that the militants, who had sought to assassinate him on several occasions, planned to expand their operations into other regions of Pakistan and Central Asia. In response, Musharraf directed almost 100,000 Pakistani army troops to resume attacking al-Qaeda and Taliban concentrations in the FATA.

Major General David Rodriguez, head of all conventional U.S. forces in Afghanistan as commander of Combined Joint Task Force 82, subsequently told the media that intelligence sharing between U.S. and Pakistani analysts regarding Taliban cross-border activities had improved. He argued that the enhanced cooperation, along with more aggressive Pakistani military operations in the FATA, made the deployment of American troops on the Pakistani side of the frontier unnecessary.

Despite Musharraf's belated arrival at the joint jirga, persistent Afghan-Pakistani differences were evident at

the council. Karzai told the delegates that the Taliban threatened both Afghanistan and Pakistan: “Unfortunately our Pakistani brothers are also under fire, and this fire, day by day, is getting hotter.” In contrast, Musharraf said that only a small minority of Taliban members were “die-hard militants and fanatics.” The rest were simply “estranged brothers and sisters” whose support could be gained through an effective “hearts and minds” campaign.

More disturbingly, FATA leaders sympathetic to the Taliban overwhelmingly boycotted the joint jirga. Maulana Fazlur Rahman, the head of the opposition Islamist Jamaat-e-Ulema-e-Islam party, which heads the government of Pakistan’s North West Frontier Province bordering Afghanistan, termed the peace conference meaningless without the Taliban’s presence. The party’s secretary-general, Abdul Ghafoor Haideri, also skipped the council. Haideri termed the jirga “a display, which cannot produce the true views of the Afghan people.” Although the province’s governor, Ali Muhammad Jan Aurkzai, did attend the jirga, he argued that “ground realities” required negotiating with the Taliban. “Unless that happens,” he added, “no matter what else we do I don’t think the problem will be resolved.”

CONCLUSIONS: Although Karzai might prove willing to engage in a political dialogue with the Taliban, President Bush has made clear he opposed extending U.S. reconciliation initiatives to encompass the movement. At his meeting with Karzai earlier this year at Camp David, he called Taliban “brutal, cold-blooded killers” who adhered to “a vision of darkness.” Meanwhile, Musharraf has strived to defend his actions as motivated by Pakistan’s national interests rather than fulfilling Washington’s wishes. On the occasion of his country’s 60th anniversary, Musharraf insisted to the media: “We are not confronting terrorism for America, we are doing it for ourselves.” Nevertheless, the embattled president may now feel pressured to either move closer to the United States, to shore up his support in Washington, or distance himself from U.S. counterterrorist initiatives, to burnish his nationalist credentials at home.

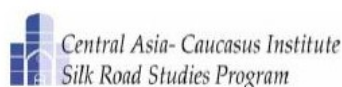
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The August 2007 issue of the China and Eurasia Forum Quarterly, edited by Dr. Niklas Swanström, is online.

The issue contains articles by Johannes Linn, Alyson Bailes, Robert O. Freedman, Magnus Norell, and Marlene Laruelle, among other.

The issue is freely available online through www.silkroadstudies.org.

IRAN AND ARMENIA TIGHTEN TIES

Haroutiun Khachatryan

Iranian President Mahmud Ahmadinejad's visit to Armenia on October 22-23 marked a new stage in the relationship between the two countries. The former Soviet republic, which has adopted a Western-type market economy principle, and Iran, one of the most closed economies of the world, will make increasing efforts to make their economic ties closer. Moreover, the two countries are likely to initiate some cooperation in the military sphere as well. The close ties are designed to help both sides stabilize their current position in view of future challenges.

BACKGROUND: Iran has long ago assumed the tactic of establishing as strong relations with its neighbors as possible, as a means to turn them into potential allies against external threats, such as international sanctions or even military strikes in response to its controversial nuclear program. In the case of Armenia, one of Iran's smallest neighbors, the situation is especially beneficial, as the two countries have no serious political issue of discord. In particular, Iran shares the vision that the Karabakh conflict, Armenia's most sensitive foreign policy problem, should be resolved only through peaceful means. Armenia, in its turn, has declared its support for Iran's right to have a nuclear program for exclusively peaceful purposes. Moreover, Armenia is among the countries most concerned with the prospect of a possible U.S. military attack on Iran, as Iran provides one of Armenia's two links with the outer world, the other being Georgia. On this basis, the October summit and events accompanying it revealed several trends.

First, bilateral trade is set to sharply increase in the near future due to several factors. Armenian trucks are given the permission to carry cargos through Iranian territory – something previously done only through Iranian vehicles. Iran will also provide trade benefits to Armenia by removing some trade barriers, a benefit exclusive to Armenia. Work is under way toward preparation of a free trade agreement between the two countries. Moreover,

communication routes connecting the countries also being upgraded, in particular, a new highway segment was recently inaugurated, which will make cargo turnover more stable and less dependent on seasonal and weather factors.

Second, mutual investments appear to grow rapidly, mainly in the energy sector. After the gas pipeline project connecting the two countries operates at full capacity late next year, trade in electric power will grow, and a third high voltage transmission line will be constructed before 2010. Armenia will buy gas and pay with electricity. Another energy project, the hydropower station on the Araxes border river, is also expected to serve as a power exporter to Iran. If these projects alone are successful, exports from Armenia to Iran may rise to some 30 million dollars a year even before the process of elimination of trade barriers starts.

Third, both partners look determined to realize the extraordinary project of constructing an oil refinery in southern Armenia, which will process Iranian oil and export part of its production (including some back to Iran, which is short in refinery capacities). A feasibility study is now under way. If agreed, this project will require the construction of an oil pipeline connecting the two countries, some 70 kilometers in Iran, and several dozen kilometers in Armenia depending on the location of the future factory. In addition, construction of a railroad

connecting Armenia and Iran is on the agenda, as a part of the oil refinery project. All of this will be very beneficial for Armenia, both in terms of boosting its economy and eliminating (or bypassing) the Azerbaijani and Turkish embargoes imposed since the early 1990s.

Fourth, as revealed by the visit of Iran's Defense Minister Mostafa Mohammad Najjar to Armenia on November 6-8, Armenia and Iran are also considering military cooperation, mainly in logistics: Iran is likely to supply the Armenian Army with food and other commodities.

IMPLICATIONS: The relations between Armenia and Iran have a number of unusual aspects, and they may become even more non-typical in the future.

The current trade turnover between Armenia and Iran is some 160 million dollars a year, down from 190 million at its peak in 1997, when Iran was Armenia's largest trade partner. In 2006, in spite of its 80 million population, potentially a very large market for Armenia, Iran was only Armenia's seventh largest trade partner, whereas the first six (Russia, Ukraine, Germany, Belgium, Kazakhstan, and Israel) are located much farther from the country. This is partly due to Armenia's open economy, and Iran having one of the highest trade barriers in the world. If the above-mentioned free trade agreement is reached, it will be a unique document, as one of its parties is a member of the World Trade Organization and the other is not. For Armenia, this is good news, given its need for markets for its rapidly growing economy. Iran's evident interest is that the stronger the Armenian-Iranian ties, the stronger will be the opposition of Armenia to any American military action against Iran.

Another peculiar aspect is that Armenia, which has been dependent on Western aid and assistance, has managed to maintain good relations with both Iran and the United States. Symbolically perhaps, during

Ahmedinejad's visit, Armenian Prime Minister Serge Sarkissian was on a working visit in the U.S., where he met with Vice President Dick Cheney, Defense Secretary Robert Gates and Secretary of State Condoleezza Rice. The Armenian-Iranian military contacts are of course much smaller in scale compared with Armenia's ties with Russia and even NATO. However, these contacts, which will hardly go beyond the level of logistics, serve as a psychological indicator of the friendly relations between the two countries.

Finally, it is evident that Iranian-Armenian economic cooperation has an important third party as well, namely Russia. Moscow has acted as a principal investor in at least one important Iranian-Armenian project, the gas pipeline. And it will evidently be even more active in future projects, in particular the oil refinery, which is an expensive venture and will need a significant period of time to become profitable. Hence, Moscow will have a good opportunity to enhance its influence on both of the future ventures' partners. In addition, future investments in this refinery project (if any) will not be subject to the U.S. sanctions on Iran since they will be done in Armenia.

CONCLUSIONS: Iran and Armenia are strengthening their ties, mainly in the economic sphere, trying to use them as tools to stabilize their positions in the region. Russia, a partner and ally of both, is a potential participant of their joint economic projects and may reap political and geopolitical dividends from its involvement. Friendly relations with Armenia's three different "poles," Russia, the U.S. (and the Western community) and Iran can potentially enhance Armenia's geopolitical role, but is a difficult balance to walk.

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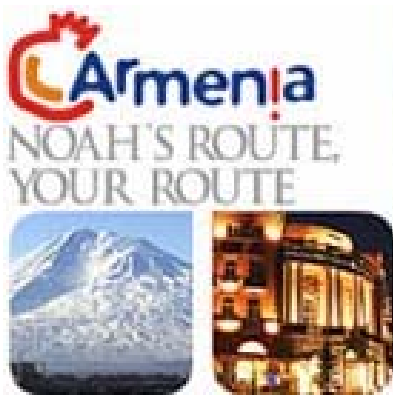
BRANDING THE NEW NATIONS OF CENTRAL ASIA AND SOUTH CAUCASUS

Erica Marat

As the states of Central Asia and the South Caucasus celebrate the sixteenth anniversary of independence this year, they are gradually moving toward appreciating their international images ahead of promoting national ideologies domestically. To date, Armenia, Georgia, and Kazakhstan have made the first conscious steps in promoting their national peculiarities in the international arena by designing recognizable images and slogans. But more extensive strategies are soon to be developed if these states choose to compete on the international market for tourists and investments.

BACKGROUND: Since the early 1990s, political elites in the newly independent states of Central Asia and the South Caucasus have worked hard to create national ideologies that emphasize the importance of post-Soviet independence, justify state borders, and increase the legitimacy of incumbent regimes. Importantly, states produced ideologies aimed at creating images that would distinguish themselves from their neighbors and

often competed with their neighbors over the ancientness of their ethnic history, and the richness of the tradition of statehood that existed prior to the establishment of the Soviet Union. Uzbekistan reincarnated the cult of Amir Timur (Tamerlane), while Kyrgyzstan celebrated the alleged 1,000th anniversary of the Manas epic, and Armenia promoted the symbols of Mount Ararat (despite this mountain being located on Turkey's territory) and its role as the first Christian nation. Tajikistan insisted that the Samanid dynasty of the eighth century advanced the idea of Tajik statehood, while Azerbaijan drew much of its inspiration for its post-Soviet independence from its 20-month experience as the first democratic republic in the Muslim world during 1918-1920.



boost domestic patriotism. Developing a national ideology was often an official task for public officers, the academic community, and publishers.

By reconstructing the history of the titular ethnic group, political elites tried to emphasize the importance of post-Soviet independence. Elites

However, though these images enjoyed some level of popularity domestically, they generally failed to be recognized by the international public. Developing international brands is a new trend for these states, still full of controversy. Among other former Soviet states, Georgia and Armenia have come up with a somewhat coherent promotion strategy. Georgia, aside from its label as the "cradle

of wine”, is branding its red and white flag with five crosses in Western outlets, including *The Economist* newspaper. Armenia, in turn, emphasizes its Christian identity, by branding the country as “Noah’s Route, Your Route”. Both countries’ efforts to do well in the annual Eurovision song contest illustrates their wish to be associated as belonging to Europe. Azerbaijan issued a number of commercials on CNN featuring colorful national dresses, food, and dances. In their international campaigns, Armenia, Azerbaijan, and Georgia primarily aim at the Western public.

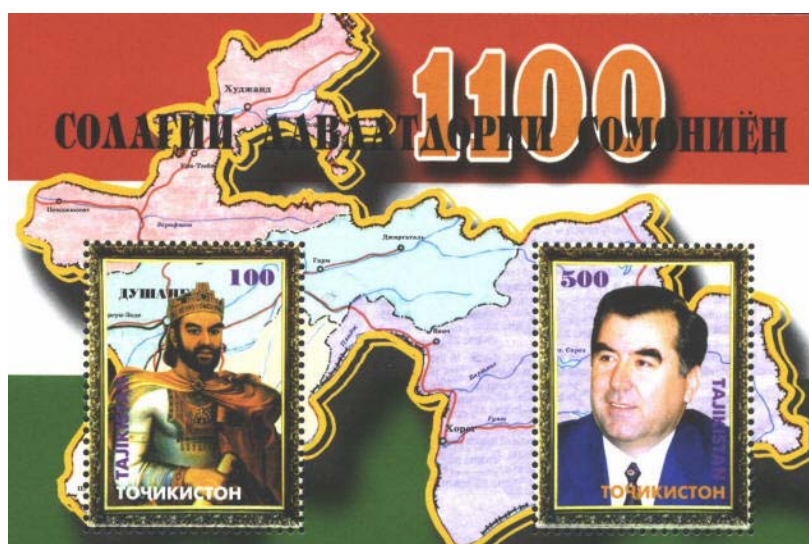
Unlike the South Caucasus states, none of the Central Asian states has yet developed a distinctive product or a business brand to promote its image internationally. Only the Kyrgyz government has recently moved toward creating a national brand to attract more tourists and investors. The government developed the slogan “Kyrgyzstan – a land of wonders”, which captures the natural beauty and reflects upon the dynamic political situation in the country. But the Kyrgyz government has yet to find sufficient funds and incentive to promote the slogan internationally.

Indeed, accidental brands instead emerged for some former Soviet states. For instance, the colored revolutions in Ukraine and Georgia ascribed recognizable symbols to these countries. At least in the international policy world, the colors orange and rose are now closely associated with these two states. Recent debates in Western countries on the issue of the Armenian genocide have drawn international attention to the Armenian state and Diaspora. Finally, the British comedy film featuring Sasha Baron Cohen became an accidental international brand for Kazakhstan.

IMPLICATIONS: The national branding industry is still in a nascent stage of development both in Central Asia and the South Caucasus. One of the challenges for these states is to remind the international public that communist legacies are no

longer sustained in their homelands, but that national peculiarity is instead flourishing. In particular, the Central Asian states will need to be creative in promoting themselves. The conventional technique of emphasizing the country’s pre-Soviet history may prove to be counter-productive, as it is likely to blur differences between the states. To say the least, such complex arguments on the historical development of the states may be hard to digest by the international public, which is often interested in instantly noticeable cross-national peculiarities. Instead, Central Asian elites and businessmen would find more success in choosing their distinctive traits in modernity, be it in the form of products, people, or places.

In the early 1990s, Kyrgyzstan’s former president, Askar Akayev, was the first in Central Asia to introduce national brands for international consumption. He developed two distinctive brands for Kyrgyzstan: “The Island of Democracy” and “The Switzerland of Central Asia”. Akayev’s



projects enjoyed relative success for a short period of time, before his domestic policies became more authoritarian. Today, both Kyrgyzstan’s government and civil society seem to be willing to design a national brand to promote foreign tourism and investment in the county, but they still lack a succinct strategy. Most current debates are staged around such vague issues as “cultural uniqueness”,

"high literacy rate", "the most democratic and open society in Central Asia", etc.

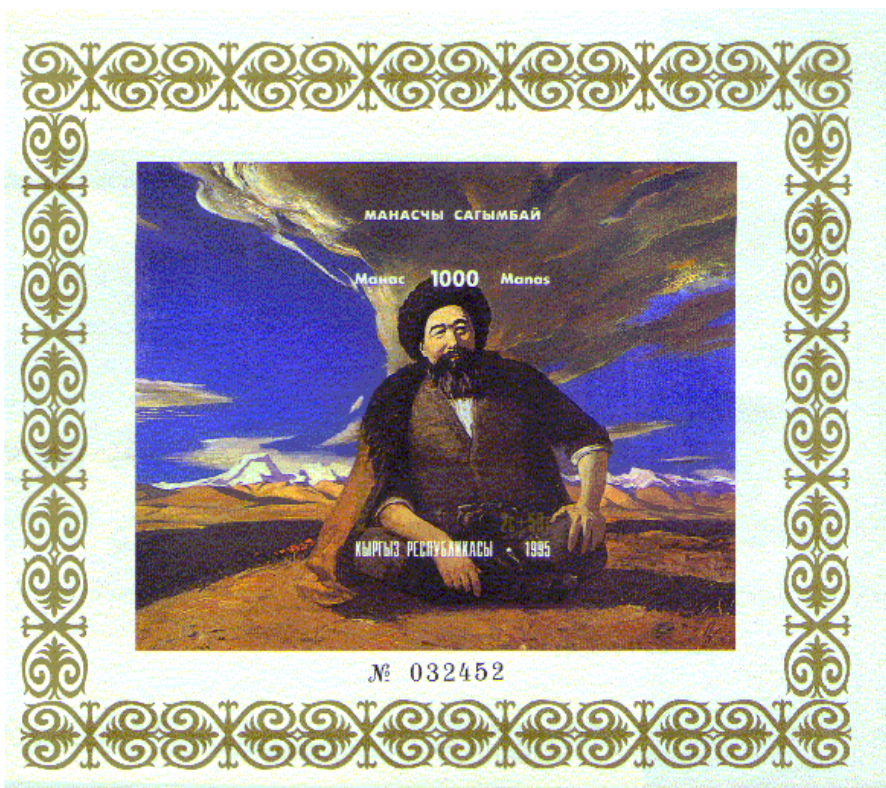
Throughout the last months, Kazakhstan's government has been preoccupied with countering the accidental image provoked by Cohen's movie. These attempts were rather clumsy, lacking a rigorous strategy. Significant financial resources were spent on a public campaign promoting Kazakhstan as the "Heart of Eurasia" in the *New York Times* newspaper, BBC and CNN to divert

recognizable brand name in Germany and the former Soviet states, where his books were especially popular. The city of Samarkand is internationally associated with Uzbekistan. The eccentric regime of former Turkmen leader Saparmurat Niyazov makes Turkmenistan an intriguing place to visit. The Tajik government's ideological project on the Aryan identity has also attracted some international public attention. Georgian wine is slowly acquiring popularity in Western markets, mainly thanks to the Georgian Diaspora. Ironically, Kazakhstan and Kyrgyzstan see their locally produced vodkas as a possibility for national branding internationally.

CONCLUSIONS: To date, Central Asian and South Caucasian states are far from enjoying internationally acclimatized brands similar to those developed by, for instance, Germany, Japan, and Sweden. But a combination of domestic factors such as businesses and political parties, and Borat-like accidental images, encourage the new independent states to consciously ameliorate their international reputations.

Thus, the national branding industry is about to pick up in both regions. It is likely to become more competitive as countries will have to vie for tourists and investments. A successful international image might indeed become more expedient than national ideologies in promoting patriotism as well.

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attention from Cohen's movie in 2006-2007. On the ABC channel, Kazakhstan presented itself as a country "committed to freedom and democracy" and the "Central Asian leader and a reliable strategic partner of the United States". It also emphasized president Nursultan Nazarbayev's achievements in economy, international security, and politics.

There are nevertheless a few indirect brands already existing for each Central Asian state. These have developed independently of the efforts of the political elites and business communities. For instance, Kyrgyzstan's writer Chingiz Aitmatov is a

WEN JIABAO'S VISIT TO MOSCOW FAILS TO RESOLVE PROBLEMS IN RUSSIAN-CHINESE ECONOMIC RELATIONS

Marcin Kaczmarwski

On November 5-6, Chinese Prime Minister Wen Jiabao paid an official visit to Moscow, in the framework of regular consultations on the level of heads of governments. Despite numerous agreements signed, the talks, focused on economic issues, failed to produce an agreement in most important area – Russian oil exports to China. Nevertheless, for the very first time, the Chinese side appeared to be ready to make some economic concessions to Russia and open its machinery and high-tech market for Russian enterprises.

BACKGROUND: Russian-Chinese economic relations have grown significantly over the past few years. China has become Russia's second largest trade partner after Germany. Bilateral trade in 2006 reached US\$30 billion, accounting for 8 percent of Russia's overall trade (and little more than 1 percent of China's). Trade in first nine months of 2007 has already reached US\$35 billion (which is 40 percent higher than in the same period in the previous year), and is expected to reach US\$50 billion by the end of 2007. However, in August 2007, for the first time since early 1990s, Russia lost its surplus (US\$3 billion in 2006) and is running a US\$4 billion deficit. The main reason is the dynamics of Chinese exports, which in



the first half of 2007 skyrocketed, growing by 80 percent.

From Russia's point of view, the main problem in its economic relations with China is the present structure of Russian exports. It is dominated by natural resources: crude oil and

oil products account for 54 percent, timber and its products for 12 percent. Machinery accounts only for 1.2 percent (in comparison with almost 30 percent in the early 2000s). Arms sales, which were another important part of Russian export to China, have also decreased – in 2006 the Chinese market accounted for 40 percent of Russian

global arms exports, but less than 20 percent in 2007. Russia is unwilling to sell its most

advanced weapons systems to China, and rejects proposals for joint manufacturing.

For China, the most pressing issue in economic relations with Moscow is to get access to Russian natural resources. At present, Russia is selling China relatively small quantities by rail. In order to increase imports of oil, Beijing needs an oil pipeline to northern China. In order to avoid dependency only on one buyer, Russia is building the East Siberia-Pacific Ocean (ESPO) pipeline to Nakhodka, and declares its readiness to supply China with a branch line to Daqing. However, Moscow and China still do not have a formal agreement with regard to such a pipeline. Additionally, in mid-2007, Gazprom representatives declared that gas pipelines to China, provisionally agreed in 2006 and planned for 2011, will be delayed by at least one year. Gazprom also blocks the sale of natural gas from the Sakhalin-1 project to China, claiming that it should supply the Russian internal market.

For Russia, the most pressing issue is to diversify the structure of its imports from China. On the eve of the Chinese Prime Minister's visit, on November 5, an anonymous source in the Russian government was quoted by Itar-Tass to declare that Russia wants to overcome its trade deficit with China, but not at the price of increasing exports of natural resources.

IMPLICATIONS: During Prime Minister Wen Jiabao's visit, seven inter-governmental agreements were signed, while state and private companies signed 15 contracts, valued at US\$1.6 billion. Both sides decided to establish a Russian-Chinese chamber for commerce in machinery and high-tech products. China declared its willingness to buy ten Tu-204 cargo airplanes as well as passenger airplanes for its airlines. Russian Prime Minister Viktor

Zubkov announced better conditions for Russian mobile phone operators in the Chinese market. Atomstroieksport concluded a principal agreement on cooperation with regard to the next two units in the Tianwan nuclear power plant. There was also an agreement on cooperation in the area of peaceful use of atomic energy.

Up until now, the principal bone of contention between Moscow and Beijing has remained the asymmetry in bilateral trade. Aiming at diversifying its exports, Moscow would like to make use of its 'unprecedented political relations' with Beijing and facilitate Russian enterprises' access to the Chinese market, especially in the area of machinery and high-tech products. Russia is interested in the nuclear sector, aviation, and mobile communication. As China perceives both economies as complimentary, it has refused to grant special concessions to Russia, claiming that the Chinese market remains open for Russian enterprises.

The visit indicates a slight change in the Chinese attitude towards Moscow's claims. Wen Jiabao declared China's readiness to improve the trade structure, and announced that Russian enterprises could acquire bigger stakes in the Chinese market. The Chinese Foreign Minister, summing up Wen Jiabao's journey on November 8, declared that China acknowledges the need to optimize its bilateral trade with Russia. This change of the Chinese position seems to be a consequence of Russia's policy of blocking the increase in natural resources exports and slowing down the build-up of pipelines to China.

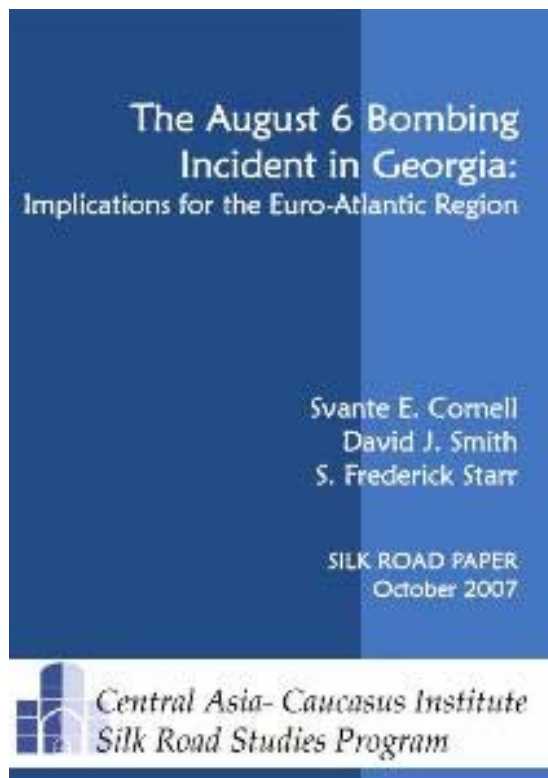
However, no decision was made during this visit with regard to the oil pipeline issue. Besides the issue of trade structure, Moscow and Beijing seem unable to agree on the price

that China would pay for oil. As Russia treats its energy resources as the main tool of its influence over China, it seeks to raise the price before striking a deal. In case Russia obtains special preferences in the Chinese market, it could likely increase its oil exports. As far as gas pipelines and the export of natural gas are concerned, Russia is even more unwilling to supply the Chinese market.

CONCLUSIONS: Both states declare that they want the level of bilateral trade to reach Us\$60-80 billion by 2010. The dynamic of Chinese exports *per se* is enough for achieving such a goal. Nevertheless, the most conflicting issue of present Russian-Chinese economic relations remains the structure of the trade. Beijing perceives Russia as a supplier of natural resources, and aims to increase its imports from

the northern neighbor. For Moscow, limiting oil and gas exports to China is one of its key instruments to influence Beijing and achieve political and economic concessions. Wen Jiabao's visit suggests that China is warming to the possibility of opening its market to Russian enterprises. That said, the lack of agreement on key economic issues may in the longer term seriously harm the strategic partnership between Russia and China.

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FIELD REPORTS

GEORGIA FACES EARLY ELECTIONS FOLLOWING POLITICAL CRISIS

Kakha Jibladze

Georgia is bracing for early elections after President Mikheil Saakashvili announced plans for snap presidential elections last week in an effort to end a political confrontation between the government and opposition groups. While the international community has applauded the move, local opposition leaders maintain the country is still in crisis.

On November 7, after six days of peaceful protests in the capital, Tbilisi, the Georgian government attempted to clear the main avenue of demonstrators. However, by midday the protestors retook the street and special riot police were brought in to control the crowds, which had grown from a few dozen to several hundred.

As the crowd grew, riot police fired tear gas, water cannons and rubber bullets on the protestors, pushing them back away from the parliament and forcing them to scatter down side streets. As control was reestablished on the main Rustaveli avenue, protestors regrouped at the historic square of Rike across the Mtkvari river. However, riot police also forcibly broke up the crowds there. According to official sources, over 500 people were hospitalized throughout the day, though only several dozen were not discharged the same day.

By Wednesday night, the protests had disbanded, although the opposition television station Imedi was airing footage of riot police beating civilians and it was widely assumed that the protests would

continue on Thursday. However mid-way through Imedi's newscast Wednesday night, Special Forces broke into the building and took the station off the air.

Immediately following that, the president called for a state of emergency and all television and radio media – with the exception of state-owned channels – were temporarily closed.

According to the government, Imedi was closed after officials realized the protests were part of a larger Russian plot – organized in part by Imedi's owner Badri Patarkatsishvili – to overthrow the government. Patarkatsishvili had weeks before handed a controlling stake in Imedi to American media tycoon Rupert Murdoch, but maintained his ownership interests. To date, the only evidence the government has presented to back up those allegations are comments Patarkatsishvili made on November 7 and 8 that he was prepared to “utilize all of his resources” to put an end to Saakashvili's “fascist regime.”

However opposition leaders, particularly the nine-party opposition coalition, maintain that the Georgian government closed the television station in order to save itself in the face of protests and is keeping it closed to prevent opposition candidates from properly running a presidential campaign against Saakashvili.

The government also initially charged two opposition leaders, Shalva Natelashvili and Konstantin Gamsakhurdia, with aiding and abetting Russia in a plot to destabilize and overthrow the government. However Saturday, November 10, the Prosecutor General's office stated the two men were only wanted for "questioning."

Negotiations are currently underway between several opposition parties and the government. However, the opposition maintains that as long as the state of emergency remains in effect – and Imedi remains off the air – they will continue their fight. During a press conference Tuesday, November 13, Matthew Bryza, the U.S. Deputy Assistant Secretary of State for European and Eurasian Affairs, stated that the ban on media would be lifted in three days.

"I know from my conversation just now with the Speaker of Parliament [Nino Burjanadze], that it sounds like [the] state of emergency will be lifted in [the] next two of three days; I think on [the] 16th [of November]," Bryza said, noting that would give

the opposition "plenty of time" to prepare for elections January 5.

The international community, including the United States, has stated that the elections must meet international standards in order for Saakashvili to restore his tarnished image as a democratic reformer. International reaction to the events November 7 was swift; Bryza called the decision to forcibly remove protestors and close down independent media a "disappointment" in an interview with the *New York Times*.

In order to restore trust and international support for his government, President Saakashvili must make sure the January 5 elections meet the highest international standards – not an easy task with less than two months to prepare. While it is commonly assumed he can still win the election, any shadow of a doubt on the legitimacy of the election could further tarnish his reputation as a democratic reformer and create more obstacles for Georgia's development.

BERDIMUHAMMEDOV ENTERS A NEW PHASE OF EU-TURKMENISTAN RELATIONS

Chemen Durdiyeva

On November 5, Turkmen President Gurbanguly Berdimuhammedov arrived in Belgium for his first official state visit to the EU headquarters in Brussels. In the framework of a three-day visit, the Turkmen leader met with the Commissioner for External Relations and European Neighborhood Policy, Benito Ferrero-Waldner; the President of the European Commission, José Manuel Barroso; the Commissioner for trade, Peter Mandelson; Energy Commissioner Andres Piebalgs; EU High Representative for the Common Foreign and Security Policy, Javier Solana, as well as EU

Parliament Chief Gans Pettering and NATO Secretary General Jaap de Hoop Scheffer. In addition to talks with EU officials, a wide delegation of Turkmen representatives headed by the president also met with Belgian officials on issues of energy and trade cooperation on a bilateral basis.

Under the leadership of the late president Niyazov, Turkmenistan's cooperation with the EU was characterized as rather inert and had been limited to a low level of trade exchange. Although

Turkmenistan has been participating in several EU projects such as TACIS and TACIS-TEMPUS, no significant efforts to enhance trade cooperation had ever been noticed. According to the European Commission's External Relations report, Turkmenistan's imports from EU in 2005 amounted to €451 million, while its exports to the EU constituted €367 million. Yet statistically, over 90 percent of Turkmenistan's export consisted of mainly mineral fuels and this has also declined by an annual average of 10.5 percent.

Although no real groundbreaking agreements were signed during Berdimuhammedov's visit to Brussels, the visit overall was announced as successful, considering the level and wide scope of talks held. Amongst the many issues being discussed, Berdimuhammedov's main objective was to attract more European investment in Turkmenistan's strategic energy sector. Reportedly, the construction of the *Nabucco* gas pipeline planned to import gas from Azerbaijan and Central Asia to Europe was specifically discussed during the meetings. Also, within the context of an informal meeting, EU Energy Commissioner Andres Piebalgs and Berdimuhammedov identified the priority directions in energy cooperation, that of conducting geological surveys, providing service at major oil wells, and developing hydrocarbon resources including in the Turkmen sector of the Caspian Sea. In this context, Berdimuhammedov emphasized the need for the greater cooperation of European companies in the reconstruction process of Turkmenistan's two giant oil refineries in the port city of Turkmenbashi and another one in the city of Seidi closer to the Uzbek border.

Piebalgs noted that European companies are highly interested in investing not only in the oil and gas sector, but also in power engineering in Turkmenistan. It is noteworthy that some of the European companies such as ENEX Process Engineering SA have long been investing in Turkmenistan's power engineering. ENEX is planning to produce clean energy saving technologies and is currently building a plant to produce solar and wind energy in Turkmenistan.

Besides, the company is implementing a major US\$123 million contract of building a compressor plant "Dovletabat 3" with a production capacity of 20 billion cubic meters of gas per annum. As Bogdan Ostashuk, ENEX representative in Turkmenistan says, the company is envisaging another major project to produce semi-crystalline silicon and plasticine that are used in the production of solar batteries as well.

As attracting more European investment in Turkmen energy sector was being discussed, Peter Mandelson particularly emphasized the creation of a favorable investment climate for foreign businesses and the improvement of the Turkmen legislature. For his part, Berdimuhammedov assured his EU counterparts that closer cooperation with the EU is Turkmenistan's main priority, and guaranteed avoiding the so-called 'double standard' policies in bilateral issues. Also, on the third day of his visit to Brussels, Berdimuhammedov spoke in front of the business elite community consisting of the representatives of over 80 major European companies. At the beginning of his formal speech, the president informed the investors that new gas deposits have recently been discovered in the Southern Yoloten gas extraction fields. Anticipating any possible doubts and to reassure the European companies regarding sufficiency of hydrocarbon resources, Berdimuhammedov reaffirmed that estimates of Turkmenistan's current reserves amount to 12 billion tons of crude oil and 6 trillion cubic meters of natural gas. In order to get acquainted with the ongoing reforms and work in gas and oil fields, Berdimuhammedov invited European counterparts to visit to Turkmenistan. An EU delegation led by Energy Commissioner Andres Piebalgs is expected to arrive in Ashgabat on the occasion of the international exhibition and conference on Oil and Gas of Turkmenistan scheduled for mid-December. This exhibition also coincides with the official inauguration of the UN Regional Center of Preventive Diplomacy in Central Asia, to be located in Ashgabat. It is noteworthy that the earlier announced "EU House"

or European Information Center in Ashgabat will also be opened in early 2008.

All in all, President Berdimuhammedov's visit to Brussels caught the attention of major European investors. This visit put a symbolic start and a new stage in EU-Turkmenistan relations. Relying solely

on Russian pipelines for its gas exports, Turkmenistan now seems to have reached a new market for its enormous reserves of hydrocarbon resources.

GEORGIAN POLITICAL UNREST GETS MIXED REACTION IN NEIGHBORING AZERBAIJAN

Fariz Ismailzade

Recent political unrest in Georgia and the subsequent decision by the Georgian President, Mikhail Saakashvili, to declare a State of Emergency and hold early Presidential elections set for January 5, received a very mixed reaction in neighboring Azerbaijan. While Azerbaijani politicians and public figures expressed sorrow over the turmoil in Georgia, some also showed irritation on how the West handled the situation in Georgia compared to similar events in Azerbaijan back in 2003.

Ilgar Mammadov, one of the most respected independent analysts in Baku, in his recent op-ed on the popular news site *day.az* compared Georgia to a bottleneck. While most of the energy in the region is located in Central Asia and Azerbaijan (the body of the bottle), the only alternative outlet for their export through non-Russian territory is Georgia. Thus, in Mammadov's opinion, Georgia is the key battlefield between the West and Russia now, with the latter trying to squeeze down Georgia and thus maintain control over the export routes. "If Russia controls Georgia, then Azerbaijan itself will run to the Kremlin," concluded Mammadov.

Indeed, there is no doubt in the minds of Azerbaijanis that the recent opposition uprising in Tbilisi is fueled and controlled by political circles in Moscow, although no overwhelming evidence of

Russian participation in the recent events was provided by Georgian authorities. Opposition figures in Baku once again got re-energized by the Georgian events, believing that the tide of democratic wave is once again coming to the region. The victory of pro-democratic forces in the last Parliamentary elections in Ukraine adds more fuel to this theory. However, once again they seem to be disillusioned by their own hopes and misplaced expectations.

On another note, the violence in the streets of Tbilisi reminded many in Azerbaijan of the brutal clashes in Baku between police forces and opposition protestors in the aftermath of the 2003 Presidential elections. At that time, many both inside the country and outside saw the crackdown against the opposition as a gross human rights violation, although security forces and the representatives of the ruling elite explained the events as a necessary measure to preserve the stability in the country and maintain the geopolitical balance in the region. In Georgia, the recent crackdown received a comparatively mild negative reaction in the West.

A high ranking member of the government of Azerbaijan, who asked to be remained anonymous, expressed irritation and frustration over the double standards imposed by Western countries towards

Azerbaijan and Georgia, even when it comes to very similar events. "Perhaps it is after all related to difference over religions. The West always supports Christian Georgia," the official concluded.

Meanwhile, almost all Azerbaijanis believe that no matter the direction that political developments in the neighboring country will take, it will still bring greater risk and danger for the prosperity and stability of Azerbaijan. Many worry that it will negatively affect the operations of the major energy pipelines and the construction of the Baku-Akhalkalaki-Kars railway. Khazar Ibrahim, spokesperson of the Ministry of Foreign Affairs, stated in the weekly briefing that Azerbaijan considers the events in Georgia as an internal matter of that country, but expressed hope that they will be settled down in a peaceful manner in the nearest future.

Rovnag Abdullayev, the President of the State Oil Company of Azerbaijan (SOCAR), also cautiously

assessed the situation in Georgia, but informed the media representatives that SOCAR operations in Georgia have not been affected.

Should Georgia continue to experience political instability with possible negative consequences, Azerbaijan will be the main loser aside from Georgia itself. Speculations persist in Baku on whether President Saakashvili will remain on top of the game or lose the election. Fikret Sadigov, an independent political analyst, believes that after all Saakashvili will maintain grip on power, whereas respected and experienced diplomat, former advisor to President Aliyev Vafa Guluzadeh, stated on *day.az* that Saakashvili has become boring for all both abroad and in Georgia. In any case, Azerbaijanis sincerely wish Georgians stability and prosperity, like a good neighbor would do.

SINO-UZBEK RELATIONS AND THE ENERGY POLITICS OF CENTRAL ASIA

Erkin Ahmadov

Chinese prime minister Wen Jiabao made a tour through Central Asia and Russia starting November 2, 2007. Attending the Shanghai Cooperation Organization (SCO) that took place in the capital of Uzbekistan on November 3 was a part of the tour. Visiting Uzbekistan on November, 3 Premier Jiabao met his counterpart Shavkat Mirziyayev and attended a ceremony to sign a number of documents directed at the improvement of bilateral cooperation between the two states. Meanwhile, the main areas of discussion at the SCO meeting in Tashkent concerned the advancement of large projects in energy, transport and high technology.

During the meeting between the Chinese Premier and his counterpart in Uzbekistan, issues of

expansion of economic and humanitarian cooperation between Uzbekistan and China were considered. "The Chinese government regards Uzbekistan as a very important partner in Central Asia and will continue to promote partnership on the basis of equality, mutual trust and benefit, and common development," said Premier Jiabao in his meeting with Shavkat Mirziyayev.

As result of the visit, the Chinese and Uzbekistani governments issued a joint communiqué pledging further efforts to strengthen bilateral relations and cooperation in various fields. The two prime ministers also attended the signing ceremony of ten documents on closer cooperation in fields of environmental protection, public health, water

supply, and finance; a memorandum of understanding between the Uzbek Finance Ministry and the Chinese Ex-Im Bank, a credit agreement between Uzpromstroybank and the Ex-Im Bank, contracts on projects to improve the state of lands and water supply in the Ferghana region, the electrification of the Tukimachi-Angren railway line, and a framework contract on the delivery of 150,000 tons of cotton fiber to China.

Earlier this year, in late April Uzbekistan announced its intention to build a 530-kilometer natural gas pipeline to China. The route would have a capacity of 30 billion cubic meters (bcm) per year, an amount constituting roughly half of Uzbekistan's annual gas production. Uzbekistan is the world's thirteenth largest natural gas producer and the third largest producer among former Soviet states after Russia and Turkmenistan. The key Chinese partner in the new pipeline project is the China National Petroleum Corporation (CNPC). A statement announcing the pipeline plan was released on April 30, signed by Ma Kai, the director of China's National Development and Reform Commission, and Uzbek Deputy Prime Minister Rustam Azimov.

As Uzbekistan does not share a border with China, it is still unclear which of the Central Asian states will become a transit state for transporting Uzbek gas to China. But if implemented, the Uzbek-Chinese pipeline would undermine Russia's ability to manipulate the Central Asian gas market and stir up energy competition between Russia and China. This would presumably secure higher profits for Uzbekistan, as well as give it a greater degree of political freedom.

Therefore, it is not accidental that Russia is very interested in advancing the establishment of a Central Asian energy "club" within the SCO

framework, which was vigorously promoted by Russian Premier Viktor Zubkov at the SCO meeting in Tashkent. Experts say that the Kremlin is eager to establish an energy club in order to prevent a possible clash with China over Central Asia's energy resources. While Chinese and Russian leaders act to maintain an image of a strong bilateral relationship between the two states, behind the façade they compete over access to natural resources in Central Asia. In recent years, Chinese companies have moved aggressively to enhance their positions in Central Asia, and this is obvious from the number of projects involving Central Asian states and China.

For instance, active oil and gas exploration is underway in the Aral Sea region, but no major new findings have been announced recently. According to a report citing a presidential decree, a CNCP affiliate will supply Uzbekneftegas with over \$209 million in drilling equipment. Of the total, \$177.6 million will be covered by a 15-year loan by China's Ex-Im Bank, and Uzbekneftegas will be responsible for only \$31.5 million in financing.

In light of these developments, Jiabao's visit to Tashkent as a part of the tour through Central Asia and his attendance at the SCO meeting was fruitful not only for China, but for the Uzbek side as well. Like the other major energy producers of the region, Uzbekistan witnesses an "unhurried struggle for spheres of interests starting between the region's largest centers of influence, Russia and China, within the framework of the SCO", as political analyst Igor Cherkashenko put it. Hence, by improving bilateral cooperation with China, Uzbekistan seeks to establish a position as an independent actor within the SCO with its own priorities and capacity to influence economic and political developments in the region.

NEWS DIGEST

MOSCOW SAYS TBILISI UNWILLING TO SETTLE CONFLICTS PEACEFULLY

1 November

The Russian Foreign Ministry has declared that Georgia's actions against peacekeepers in the Georgian- Abkhaz conflict zone on October 30 were a provocation. "The new action of Georgia, with the involvement of top-ranking officials, confirmed that the CIS collective peacekeeping force is being provoked, the unwillingness to resolve problems through peaceful negotiations and the threat to use force, including military force," says a report posted by the ministry's information and press department on Thursday. (Interfax)

ABKHAZ LEADER WARNS AGAINST CHANGING PEACEKEEPING OPERATION FORMAT

1 November

Changing the format of the peacekeeping operation in the Georgian-Abkhaz conflict zone would lead to a new conflict between Georgia and Abkhazia, Sergei Bagapsh the president of Abkhazia has said. "The bringing of Russian peacekeepers to the conflict zone has guaranteed the non-resumption of the armed conflict and helped dozens of thousands of Georgian refugees to return to the Gali district of Abkhazia," Bagapsh told Interfax on Thursday. "In case the format of the peacekeeping operation is changed or the Russian peacekeepers are pulled out of the conflict zone, the Abkhaz army will have to come up to the border with Georgia and assume the positions currently occupied by the peacekeepers. And this inevitably means a new war," he said. (Interfax)

FORMER DEFENSE MINISTER OKRUASHVILI FORCED TO LEAVE GEORGIA - LAWYER

1 November

The police put former defense minister Irakly

Okruashvili on a plane to France last night, lawyer Eka Beselia told a press briefing on Thursday. Beselia said she met with Okruashvili on Wednesday evening and he told her he would take part in the November 2 protest in Tbilisi. "Later in the evening he called me from the airport and said he was being forced to leave Georgia," Beselia said. Meanwhile, the Okruashvili family "is a hostage" of Georgian law enforcement, she said. (Interfax)

KAZAKH CONSTRUCTION WORKERS PROTEST UNPAID WAGES

2 November

A group of some 300 construction workers protested on November 1 in front of the Kazakh presidential palace in Astana, Kazakh television reported. The workers were protesting a three-month delay in wages and blocked a street leading to the residence of President Nazarbaev before police eventually dispersed the demonstrators. A senior executive from the Kvatgradstroi construction company, Aleksandr Krylov, met with the protesters and pledged to pay the workers the more than 100 million tenges (\$830,000) in unpaid wages. Deputy Astana Mayor Sergei Khoroshin also met with the demonstrating workers and promised to resolve the situation. The protest was one of the first such demonstrations held near the presidential palace. (RFE/RL)

ARMENIAN EX-PRESIDENT HOLDS TALKS WITH OPPOSITION PARTY

2 November

Levon Ter-Petrossian, who on October 26 confirmed his plans to run in the presidential election due in early 2008, has met with People's Party of Armenia (HZhK) Chairman Stepan Demirchian and HZhK activists in Yerevan, RFE/RL's Armenian Service reported on November 1. According to official returns, Demirchian lost to incumbent President

Robert Kocharian in the second round of the 2003 presidential ballot, but Demirchian rejected those returns that showed him winning 32.5 percent of the vote compared with 67.5 percent for Kocharian. The HZhK's popularity has since plummeted and it failed to win a single parliament mandate in the May 2007 elections. Demirchian said after the hourlong meeting with Ter-Petrosian that the HZhK has not yet decided whether to back Ter-Petrosian's presidential bid. He said Ter-Petrosian undertook to provide answers "very soon" to specific questions about his past and future political activities. (RFE/RL)

ABKHAZ, TRANSDNIESTRIAN, S. OSSETIAN MINISTERS URGE INTL COMMUNITY TO RECOGNIZE INDEPENDENCE

3 November

Foreign Ministers Sergei Shamba of Abkhazia, Valeri Litskay of Transdnistria, and Murad Dzhiyoyev of South Ossetia signed a joint declaration at a meeting in Sukhumi on Saturday, in which they reaffirmed the self-proclaimed republics' resolve "to follow the norms and principles stipulated by the UN Charter and other international legal acts determining the contemporary world arrangement." "The people's right to self-determination is a sovereign and unalienable right of the peoples of Abkhazia, Transdnistria, and South Ossetia, and ignoring the people's will should be viewed as a violation of human rights guaranteed by international legal documents," the declaration says. The ministers also called for "settling all disputable issues exclusively through peaceful methods and without using military, political, economic, or informational pressure." "Over the time of Abkhazia's, Transdnistria's, and South Ossetia's independent existence, they have set up efficient governance systems guaranteeing free exercise of human rights and stability of democratic government institutions," it says. The foreign ministers "have called on the international community to respect sovereign rights of the peoples of these republics and support Abkhazia's, Transdnistria's, and South Ossetia's recognition as sovereign states." (Interfax)

GEORGIAN OPPOSITION LAUNCHES CONTINUOUS PROTESTS

5 November

The National Council comprising 10 Georgian opposition parties staged a mass demonstration in

Tbilisi on November 2 that was attended by some 40,000-50,000 people, Georgian and international media reported. The organizers and participants originally focused on four demands to the Georgian authorities: holding parliamentary elections in the spring of 2008 in accordance with the constitution; changes to the election law; parity representation on election commissions; and the release of those persons the opposition considers political prisoners. Georgian oligarch Badri Patarkatsishvili, who on October 28 offered financing for opposition parties, returned on Tbilisi on November 2 saying he did not plan to address the planned demonstration, but then changed his mind. He urged participants to pressure the government to embark on a dialogue that would pave the way for elections that would result in a "people's government," and left Tbilisi for London again later that day. Five opposition leaders met on the evening of November 2 with parliament speaker Nino Burjanadze, who rejected categorically the demand for elections in spring 2008 but said talks on the other three demands would continue. In response to that refusal, a smaller number of demonstrators -- some 10,000 -- convened in rainy and cold weather on November 3 and began demanding the resignation of President Mikheil Saakashvili. Between 20,000-30,000 people congregated again outside parliament on November 4; as of November 5, the protesters plan to picket unspecified government buildings in Tbilisi. In a live broadcast on the pro-government television channel Rustavi-2 on the evening of November 4, Saakashvili dismissed the protests as a "pale imitation" of those in November 2003 preceding the so-called Rose Revolution that culminated in the peaceful ouster of President Eduard Shevardnadze and Saakashvili's advent to power. He implied that the protests are being orchestrated from Moscow, but at the same time stressed that such protests "are part of the democracy we fought for." Opposition leaders rejected as insulting Saakashvili's allegation that they are acting at Moscow's behest. (RFE/RL)

TURKMEN PRESIDENT VISITS BRUSSELS

6 November

Turkmen President Gurbanguly Berdimukhammedov arrived on November 5 in Brussels at the start of a two-day official visit for talks with senior EU and NATO officials, RFE/RL's Turkmen Service reported. Although Berdimukhammedov is eager to focus on cooperation in the energy, agriculture, and education sectors during his first visit to Brussels,

EU External Relations Commissioner Benita Ferrero-Waldner stressed during their meeting on November 6 that "greater openness" on human rights is necessary to speed up a planned trade agreement, and would help to expand cooperation with the EU. A draft EU-Turkmenistan trade agreement was virtually suspended in 2006 after the European Parliament imposed new preconditions for human rights progress in Turkmenistan before the agreement could be ratified. Ferrero-Waldner welcomed the recent Turkmen decision to establish a special human rights commission, but said "more needs to be done" in Turkmenistan.

Berdymukhammedov also met on November 5 with European Commission President Jose Manuel Barroso, Energy Commissioner Andris Piebalgs, and EU Trade Commissioner Peter Mandelson. He is also scheduled to meet with NATO Secretary-General Jaap de Hoop Scheffer and EU foreign-policy chief Javier Solana during his visit. (RFE/RL)

ARMENIAN PARLIAMENT MOVES TO AMEND ELECTION LAW

6 November

The National Assembly passed on November 5 in the first reading a bill amending 47 of the total 141 articles of the election law. The bill, drafted by the majority Republican Party of Armenia and its partner in the coalition government, Bargavach Hayastan, abolishes the provision under which presidential candidates may be nominated by a bloc of political parties or by civic initiative, and doubles, from 5 million drams (\$15,000) to 10 million drams, the fee for registering as a presidential candidate, RFE/RL's Armenian Service reported. It also doubles the maximum amount a candidate may spend on election campaigning, from 70 million to 140 million drams. Independent parliamentarian Viktor Dallakian, who authored Armenia's 1999 election law, said the restrictions have "political and psychological implications." On November 2, the opposition newspaper "Haykakan zhamanak" suggested that the abolition of the provision allowing the nomination of a presidential candidate by a civic initiative or a group of parties was aimed expressly against former President Levon Ter-Petrossian, whom up to two dozen parties plan to nominate for the presidential election due in early 2008. Speaking at an October 26 briefing, Hrayr Karapetian said the parliamentary faction of the Armenian Revolutionary Federation-Dashnaktsutiun he heads opposes the proposed

amendments and has put forward alternatives. Also on November 5, Council of Europe Secretary-General Terry Davis told journalists in Yerevan after talks with Prime Minister Serzh Sarkisian, Foreign Minister Vartan Oskanian, and parliament speaker Tigran Torosian that his organization hopes, and is prepared to help ensure, that the presidential ballot proves free and fair, RFE/RL's Armenian Service reported. Davis met separately for half an hour with Ter-Petrossian, Noyan Tapan reported on November 6. (RFE/RL)

GEORGIAN POLICE USE FORCE TO DISPERSE, ARREST PROTESTERS

7 November

Hundreds of police armed with shields, batons, and guns used tear gas and water cannons early on November 7 to disperse the protesters gathered outside the parliament building in Tbilisi and took into custody at least three of the protest organizers, including former Minister for Conflict Resolution Giorgi Khaindrava, whose whereabouts remain unknown. Police also confiscated or destroyed the cameras of television journalists who tried to film the police intervention. Several dozen protest participants sought shelter either in the parliament building or the nearby Koshueti Church. Tbilisi Mayor Gigi Ugulava, a close associate of President Mikheil Saakashvili, said police intervened "at the request of the population" who did not wish to see the opposition set up tents on the city's main thoroughfare and obstruct traffic. Ugulava added that the protesters have had ample time to make known their demands on the Georgian leadership, and so there was no need for them to continue their protest. Opposition leaders condemned the police intervention as unjustified, as did ombudsman Sozar Subar, who told Caucasus Press that the plans to erect tents were not unlawful. Police prevented several hundred protesters from returning to the parliament building after the initial intervention. (Caucasus Press)

AZERBAIJAN DETAINS ANTI-U.S. PLOT SUSPECTS

10 November

Azerbaijan detained two Azeri citizens suspected of preparing an armed attack near the U.S. embassy last month, the security ministry said on Saturday. Azeri security forces have already detained two groups of Islamist militants, including an alleged al Qaeda fighter, in connection with the foiled plot,

which prompted the brief closure of the U.S. and British embassies in Baku. "As a result of a special operation on November 9, the state security and the defense ministries detained Kyamran Asadov and Farid Dzhabbarov, suspected of planning attacks near the U.S. embassy in Baku on October 29," the ministry said in a statement. It said Asadov, a former Azeri army officer, had deserted from a military unit with stolen grenades, automatic rifles and other ammunition to prepare the attack. Azeri state TV channels showed the detained men confessing to the plot which they said was an attempt to take revenge on the United States. "Our aim was to kill U.S. citizens because they kill Muslims," a TV broadcast showed Asadov as saying. Azerbaijan is an oil-producing, mainly Muslim republic of 8 million people on the western shore of the Caspian Sea, wedged between Iran, Turkey and Russia. In recent years, authorities in the former Soviet state have arrested dozens of people suspected of links to Islamist militants, but the country has no history of militant violence. (Reuters)

GROUP ALLEGES POLICE ABUSE IN GEORGIA

11 November

Amnesty International is calling on the government of Georgia to detail what security forces did to demonstrators in Tbilisi earlier this month. The group issued a release in London Sunday saying it received reports police used truncheons, rubber bullets, tear gas and water cannons to break up three rallies in the capital. Citing a principle of the U.N. Basic Principles on the Use of Force and Firearms by Law Enforcement Officials, the group urged "a thorough, impartial and independent investigation into allegations that special police forces used excessive force when dispersing anti-government demonstrations." As many as 500 people required hospital treatment for injuries, the release said. The protesters were calling for the resignation of President Mikhail Saakashvili because he moved spring elections back to the autumn next year for what he said was a cost-cutting measure. Saakashvili imposed a state of emergency Wednesday, and in a televised address to the nation blamed Russian special forces for stirring unrest and supporting anti-government protests. (UPI)

RUSSIAN DIPLOMATS, DECLARED PERSONA NON GRATA, LEAVE TBILISI

12 November

The three Russian diplomats, whom the Georgian authorities had declared as *persona non grata*, left Tbilisi for Yerevan by car on Monday morning (a distance of 300 kilometres). They will fly to Moscow from the Armenian capital because aerial communication between Georgia and Russia was suspended in October 2007. A parting ceremony was held for the three diplomats at the Russian embassy on Monday morning. They include Extraordinary and Plenipotentiary Minister-Counsellor of Russia in Georgia Ivan Volynkin. "I am leaving Georgia with a mingled feeling," he said. "On the one hand, I am leaving behind many friends with whom I had worked to normalise the Russo-Georgian relations. On the other hand, I am offended by the groundless accusations levelled at me and at several of my colleagues," he stated. Volynkin noted that he "had worked at the Russian embassy in Georgia for 2.5 years and was happy to contribute to the process of normalising the relations between the two countries". Volynkin also stressed a few days ago that he had worked "honestly and in keeping with all the international norms on the status of diplomats". Georgian President Mikhail Saakashvili claimed in his November 7 TV address to the population that several members of the Russian embassy were "engaged in subversive activities and were spying on Georgia". On the same day, the Georgian Foreign Ministry addressed a note "to the Russian Embassy in Georgia, which was to be forwarded to the Russian Foreign Ministry". The note said that "Russian Extraordinary and Plenipotentiary Minister-Counsellor Ivan Volynkin, Embassy Counsellor Pyotr Solomatin, and Embassy Third Secretary Alexander Korenkov are declared *persona non grata* in Georgia in accordance with Paragraph 1 of Article 9 of the Vienna Convention on International Diplomatic Relations. On November 8 the Russian Foreign Ministry declared as *persona non grata* "three senior diplomats of the Georgian Embassy in the Russian Federation". Spokesman for the Russian Foreign Ministry Mikhail Kamynin noted that this decision was made "in reply to the unfriendly step of the Georgian side". Kamynin also stated that the Russian Foreign Ministry had also called the attention of the Georgian embassy to the fact that the Tbilisi-claimed "interference of the Russian Federation in the domestic affairs of Georgia held no water and was an attempt of the Georgian authorities to cover up their incapability to cope

with domestic problems". Kamynin also expressed the hope of the Russian side that "common sense will prevail and the Russo-Georgian relations will shortly return to the normal rut of development". (Itar-Tass)

LUFTHANSA SAYS IT WON'T SHIFT KAZAKH FREIGHT HUB TO SIBERIA

13 November

Deutsche Lufthansa AG has rejected a report that it had entered into an agreement with Russian authorities to shift its freight hub from Kazakhstan to Siberia. "That is wrong. Different locations are subject to routine controls. In this context we have spoken about Krasnoyarsk, but we have not signed any contracts or entered into any binding agreements that would oblige us to move," a spokesman for Lufthansa Cargo told German news agency DPA. Daily Frankfurter Rundschau said in its Saturday edition that Lufthansa had entered into an agreement with Russian authorities earlier this year under which it is to shift its refuelling and freight distribution centre from Kazakh capital Astana to Russian territory. A pre-condition for the agreed move to Siberia -- either to Krasnoyarsk or to Nowosibirsk -- was that Lufthansa would be granted similar conditions as in Kazakhstan, the report said. Russia temporarily withdrew overflight rights for Lufthansa's freight division on Oct 28, saying a temporary agreement permitting the cargo flights to use Russian airspace to reach Central Asia had elapsed. But the move was widely seen as a Russian bid to persuade Lufthansa to use an airport in Krasnoyarsk, Siberia, on Russian territory. According to Germany's ministry of transport, official negotiations between the German and Russian transport ministers about a possible move of Lufthansa Cargo to Krasnoyarsk are expected to take place in December. (Asia Pulse)

U.S. SPEAKS FOR AZERBAIJAN'S PRESS

13 November

The US has expressed concern about treatment of the media in Azerbaijan, saying recent actions point to an alarming trend. US State Department spokesman Sean McCormack urged Azerbaijan in a statement "to comply with its stated commitments to respect freedom of speech and rule of law and to support the development of an independent media." The US has been cautious about criticising Azerbaijan because of its strategic value in an oil-rich region. The State Department statement mentioned Eynulla Fatullayev, the founder and

editor of two independent newspapers that stopped publication this spring under government pressure. He was sentenced recently to 8 1/2 years in prison because of an article that alleged the former Soviet republic could support a US attack on neighboring Iran. The US also said it was "deeply concerned" by the recent conviction of Ganimat Zahid, chief editor of a pro-opposition newspaper actively critical of the government. President Ilham Aliiev took over from his father in a 2003 election denounced by opponents as a sham. He has faced persistent criticism over the heavy-handed treatment of independent media and opposition parties. (Dow Jones Newswires)

KAZAKH BANKS STABLE DESPITE WITHDRAWALS - NATIONAL BANK

14 November

Kazakhstan's central bank said on Wednesday customer deposits at the country's banks fell by 3 percent in October, but that posed no threat to the stability of the financial sector. A small reduction on corporate and individual deposits is taking place in the banking system. Overall, I think the situation is stabilising," National Bank Chairman Anvar Saidenov told a news conference. Deposits fell in October at a slightly faster rate than in September, when they dropped by 2.2 percent, after a slide in the exchange rate of the Kazakh tenge in August shook the confidence of savers. Kazakhstan's banks, which have borrowed heavily abroad to fund aggressive lending growth, have also been hit by a global sell-off in risky assets in the wake of the U.S. subprime mortgage crisis. The tenge has recovered from its August low of 126 to the U.S. dollar to around 120 now, and Saidenov saw no reason for further exchange rate volatility during the rest of 2007.

"We can look relatively calmly at the exchange rate tendency through to the end of the year. We do not foresee any sharp fluctuations," Saidenov said. He added that the central bank had been a net buyer of \$300 million in foreign exchange in the first two weeks of November, after selling \$1 billion in the month of October to support the tenge. The Central Asian state, which is ramping up oil production from its Caspian Sea fields, has just lowered its economic growth forecasts to reflect the fallout from the credit crunch.

Premier Karim Masimov on Tuesday projected GDP would grow by 5-7 percent next year, down from an earlier forecast of 9 percent. GDP grew by 9.7 percent in January to September of this year.

(Reporting by Olzhas Auyezov; Writing by Douglas Busvine, editing by Mike Peacock).
(Reuters)

GEORGIA SET TO END EMERGENCY RULE

14 November

Georgia will lift a state of emergency on Friday, nine days after it was imposed amid opposition protests, the country's speaker has said. "Georgian life will return to normal on 16 November," Nino Burjanadze said. President Mikhail Saakashvili initially announced a two-week emergency on the sixth day of protests in Tbilisi. He said a week ago he would hold early polls, meeting a key opposition demand as international criticism grew of a police crackdown on protesters. Following a meeting with Georgian officials on Tuesday, US Assistant Secretary of State Matthew Bryza said he had been assured the state of emergency would soon be lifted. The pro-Western Mr Saakashvili has accused Russia of stoking the street protests - a charge both Moscow and the opposition in Georgia have denied. He earlier said the announcement of emergency rule was needed to prevent a "coup" against his government. Last Wednesday, soldiers and riot police used tear gas and water cannon to disperse protesters who had gathered outside the parliament in Tbilisi for a sixth consecutive day. Television pictures showed security forces chasing and beating the protesters. Opposition supporters had called on Mr Saakashvili to resign and hold early elections, accusing him of corruption and authoritarianism. The president announced last Friday that the country would now go to the polls early, on 5 January. Mr Saakashvili, who remains popular with many Georgians, is hoping to be re-elected. The country's opposition parties this week announced they would field a single candidate to challenge the president - Levan Gachechiladze, an MP who led last week's rallies against Mr Saakashvili. (BBC)

BP MAKES NEW DISCOVERY AT SHAH DENIZ FIELD

14 November

Oil and energy company BP PLC made "a potentially significant" gas discovery in the Caspian Sea south of Azerbaijan, the company said Wednesday. Test results show sufficient gas at the

Shah Deniz field for a second stage of development, BP -- which is leading the development of the field -- said in a statement. Although further work is required to define this second phase it will likely be similar or larger than stage 1 -- 8.6 (billion cubic meters a year)," the company said. The reservoir lies beneath an existing source at the Shah Deniz field, which lies in water depths between 50 meters and 600 meters (164 feet and 1,968 feet), some 70 kilometers (44 miles) south east of Baku. Azerbaijan's state oil company announced in September that natural gas reserves at the Shah Deniz field are believed to be nearly twice as large as previously estimated. Drilling at the field showed that total gas reserves could be as much as 1.2 trillion cubic meters of natural gas and 240 million tons of gas condensate, the State Oil Company of Azerbaijan said then. That was nearly double the recent reserve estimate by BP -- about 640 billion cubic meters. BP shares gained 2.7 percent to 598.5 pence (US\$12.36; euro8.47) on the London Stock Exchange. The consortium it leads developing Shah Deniz also includes Norway's Statoil ASA, France's Total SA and Russia's OAO Lukoil. (AP)

NATO TO OFFER SUPERHIGH-SPEED INTERNET TO SOUTH CAUCASUS

14 November

NATO will allocate 1.9 mln. euro to Armenia, Azerbaijan and Georgia for leasing an optic fibrous cable providing a superhigh-speed Internet for educational and scientific institutions, said Jacek Gajewski, Secretary General of the Central and Eastern European Networking Association, NATO adviser on South Caucasus. The decision was made upon the outcomes of "Research and educational networks of Armenia: achievements, tasks, solutions" conference held in Yerevan 12-14. The project will be co-financed by the three republics, which will add 20% (some 150 thousand euro) to the sum assigned by NATO. The projects will be implemented in two stages, Gajewski said. The first stage is meant for 2 years and supposes cable lease, the second stage supposes own cable laying and will cost some 20 mln. euro. "It means that Armenia will have to accumulate some 3 mln. euro by that time," he said, Novosti Armenia reports. (PanArmenian.net)