

# Central Asia-Caucasus Analyst

BI-WEEKLY BRIEFING

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22 AUGUST 2007

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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.

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

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

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# ANOTHER RUSSIAN ATTACK ON GEORGIA- UNMISTAKABLE EVIDENCE

David Smith

*At 1831 on August 6, 2007, a Russian Su-24M fighter streaked into Georgian airspace above the town of Khazbegi. Three radars—military and civilian—tracked it to Tsitelubani, where it turned, released a Kh-58 anti-radar missile and hightailed back to Russia. If the missile’s target was the Georgian radar near Tsitelubani, it missed, falling, undetonated into a vegetable field meters away from houses in the village. Russia’s latest attack on Georgia followed less than four weeks after a United Nations report that, though officially inconclusive, all but accused Moscow of a helicopter attack against Upper Abkhazia in March. Preempting the Russian delay and obfuscation that hampered the UN report, an International Group of Experts comprised of specialists from Latvia, Lithuania, Sweden and the United States moved swiftly to the site and confirmed the facts of the attack in its August 14 report.*

**BACKGROUND:** The first indication of the August 6 attack appeared on the radar screen of Tbilisi Air Traffic Control. At 1816, the Tbilisi duty controller radioed his Russian counterpart in Rostov-on-Don, north of the Caucasus Mountains. “Is your military flying in the region?” Rostov control denied seeing any aircraft on its radar screen. At 1824, Tbilisi tried again, “Something is flying and crossing the border...speed is about 810 kilometers per hour, 30-35 degrees.”

“I will inform my superiors that you are seeing something,” deadpanned the Rostov controller.

After examining all the evidence, the IGE concluded that a single unidentified aircraft penetrated Georgian airspace from Russia three times that Monday evening. The first incursion lasted less than one minute. The second violation lasted from 1813 to 1821. It was three minutes into the second incursion—1816—when the Tbilisi controller called his Rostov counterpart to seek clarification. When he tried again eight minutes later, his observation was exactly right—the Russian aircraft was headed northeast, crossing back into Russia. The third flight—which plopped the Kh-58 into a farmer’s field—lasted from 1831 to 1842. Of the Georgian radars that produced this information, the military radars meet NATO standards and the civilian radars are approved by the International Civil Aviation

Organization. Multiple reliable radars and the voice record of the Tbilisi air traffic controller, checked by the IGE, corroborate eyewitness accounts.

Although Tsitelubani is outside the South Ossetia Conflict Zone, it is so close that the morning following the attack, a team from the Joint Monitoring Group for South Ossetia—Russian, Georgian and North Ossetian peacekeepers plus a representative of the Organization for Security and Cooperation in Europe (OSCE)—hastened to the scene. “Based on parts extracted from the ground like missile engine, stabilizer-wings, electro-schemes and internal equipment,” the team’s written report says, “this is an air-to-surface guided missile, which did not explode after launch.” The team proceeded to interview eyewitnesses—North Ossetian peacekeepers and local villagers—who all corroborated the flight information generated by the radars; and some of whom saw an object separate from the aircraft and fall to earth.

Apparently, *de facto* South Ossetian forces also observed this aircraft. General Marat Kulakhmetov, commander of the Russian peacekeepers, reported, “The aircraft came into the Conflict Zone from the east. Then it turned in a southwest direction. Over the village of Gromi, it came under fire from the South Ossetian side. This, it seems, scared the pilot and



*Forensic Expert at Site. (Reuters)*

caused him to fire a rocket, and then it went to the northeast.”

Russian Air Force spokesman Alexander Drobyshevsky denied any involvement: “Russian aircraft have not conducted any flights over that area and have not violated Georgia’s airspace.” And Russian diplomat Yuri Popov, in Tbilisi—far from Tsitelubani but close to news reporters—filled in the last bit of Moscow’s story line. The errant fighter was not an Su-24, but an Su-25, a type of aircraft also flown by the Georgian Air Force, Popov said.

According to Moscow, for the second time this year, Georgia has concocted to bomb itself with aircraft and weapons that it does not possess. The IGE report, in fact, exposes Moscow’s extraordinary hubris. The Kh-58 is the telltale evidence. The missile “warhead did not explode,” the IGE report says, “and the missile had burn marks on the rocket motor nozzle,” an account consistent with the Joint Monitoring Group’s report. “The IGE identified the missile as a Russian-designed Kh-58 (AS-11 Kilter) anti-radiation missile.” The international experts continue, “The Georgian Air Force (GAF) does not possess aircraft equipped with or able to launch Kh-58 missiles. The GAF does not operate aircraft able to fly the profile flown by the unidentified aircraft.”

By August 9, Kulakhmetov turned toward undermining the most prominent piece of evidence, the identification of the missile as a Kh-58. “When a group of peacekeepers arrived at the site early on August 7,” the Russian General said, “the Georgians had already

removed all major parts of the missile and transported them to an unidentified location...For some reason, Georgia hurried to destroy the warhead before our arrival.” It is odd that Kulakhmetov failed to mention this on the spot and that his own team’s report belies his later words.

**IMPLICATIONS:** As in the wake of the March 11 attack, Moscow is spinning the yarn that Georgia bombed itself. Unlike the March 11 incident, evidence of a Russian attack at Tsitelubani is unmistakable. Nonetheless, Moscow is mounting a brazen propaganda offensive.

A Russian MFA statement “sees it as an attempt to wreck the positive trends that have been noted in Russian-Georgian relations and also to complicate efforts for a settlement of the Georgian-Ossetian conflict.” And Air Force Chief of Staff Igor Khvorov said, “All these accusations are political speculation.”

Then Khvorov—accompanied by Special Envoy for the CIS Valery Kenyaikin—led Moscow’s own investigation team to Tsitelubani. “There was no border crossing by an airplane,” he repeated. Moscow’s most recent political speculation did not even require an aircraft. “We have the impression that the missile was destroyed somewhere else, and its pieces were later delivered here.”

That was Kenyaikin’s cue to deliver a threat that maintained only the sheerest veil of innocence: “If Georgia continues trying to worsen its relations with Russia on other major issues—Euro-Atlantic integration, its special relations with the West—then Georgia will continue to invent these incidents in the future. If Georgia reaches the conclusion that it needs to have a balanced relationship with Russia, then the situation will change.”

**CONCLUSIONS:** Just like Russia’s March 11 helicopter hop into Georgia, the Tsitelubani missile attack seems bizarre to most westerners. But in the Caucasus, truth is often stranger than fiction. Moreover, Moscow’s behavior of late can only be understood with willful suspension of disbelief—dioxin poisoning, assassination by irradiation and

defenestration, mysterious gas pipeline explosions are only some examples. Wackiness is part of the plan—Moscow delivers its message, plausibly denying any involvement. Western countries receive the message, while the episode is so weird that they can plausibly deny having seen anything amiss.

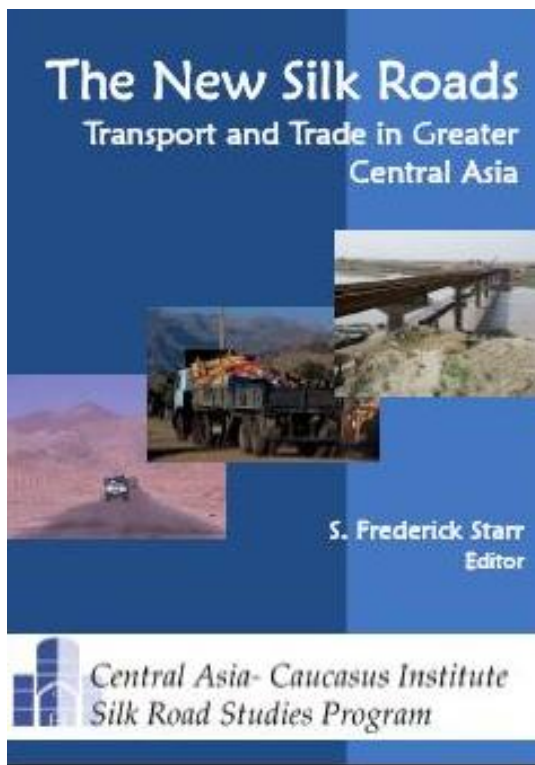
But the Tsitelubani attack was made in broad daylight in central Georgia and Moscow's protestations of innocence are farcically thin. Whether by accident or design, the element of plausible denial has been lost. Russia can continue to deny, of course, but few believe it. More important, the western countries have lost their plausible denial not to see. Tsitelubani begs a response.

The West should respond as a matter of principle—it is unacceptable that Russia is free to violate Georgian sovereignty. The West should also respond in its own interest. Emboldened by western acquiescence, Moscow will eventually miscalculate and do something that cannot be ignored—in the Caucasus or maybe elsewhere. Then the West will have a far greater mess

on its hands than a crater in a vegetable patch. The time to react calmly but firmly is now.

Another team of western investigators—from Estonia, France, Poland and the United Kingdom—has arrived in Georgia. Meanwhile, Georgia and the United States are seeking to raise the Tsitelubani attack in the UN Security Council. The courage with which the current team of investigators speak, and the hearing Georgia gets in New York over the next few weeks, will tell whether western capitals have understood the message borne by Russia's Kh-58 missile.

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## THE SCO SEEKS ENERGY COOPERATION, BUT PROBLEMS REMAIN

*Erica Marat and Asel Murzakulova*

*On August 16, the Shanghai Cooperation Organization (SCO) held its annual summit in the Kyrgyz capital Bishkek. Cooperation in security and energy sectors were the summit's main themes. Russia and China in particular were able to broker potentially lucrative deals in gas exports from Kazakhstan, Turkmenistan, and Uzbekistan. The SCO's future expansion will be driven by its members' energy needs in addition to their security concerns. The organization, however, still has its member states' interests represented asymmetrically and a myriad of inefficient agreements.*

**BACKGROUND:** The summit collected presidents and high-ranking officials of 12 states. Among them were the SCO's members states – China, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan; observer states – Afghanistan, India, and Pakistan. Iran, Mongolia, and Turkmenistan attended as distinguished guests. At the summit, the SCO's six members signed two main documents: “Long Term Treaty of Good-neighborliness, Friendship, and Cooperation” and the “Bishkek Declaration”. Both mention the importance of multilateral responses to the emerging security threats and explicitly condemn unilateralism. They also focus on economic cooperation among the SCO member states, treating it as part of their security. The SCO differentiates between producer, transit, and consumer countries in the energy trade.

Today, almost the entire budget of the SCO is spent on staging joint military exercises and organizing annual forums. Even if the SCO member states will manage to build mutually beneficial energy links, military cooperation will still remain the organization's hallmark. Since the SCO's annual military exercises have turned into a somewhat routine activity, the organization will be able to pay more attention to attracting countries with energy export potential. Already now Russia has made substantial progress in negotiating gas imports from Kazakhstan, Turkmenistan, and Uzbekistan.

Turkmenistan and Iran expressed their strong interest in boosting energy trade with the SCO's major partners, Russia and China. Turkmenistan will likely be the next country to join the SCO, as the Turkmen leader Gurbanguly Berdymuhammedov has publicly recognized the organization's strategic role in the region. Iranian President Mahmoud Ahmadinejad was enthusiastic about participating in the SCO's oil and gas projects.



The summit's participants refrained from openly condemning the U.S. military presence in Kyrgyzstan. Before the summit, the Kyrgyz



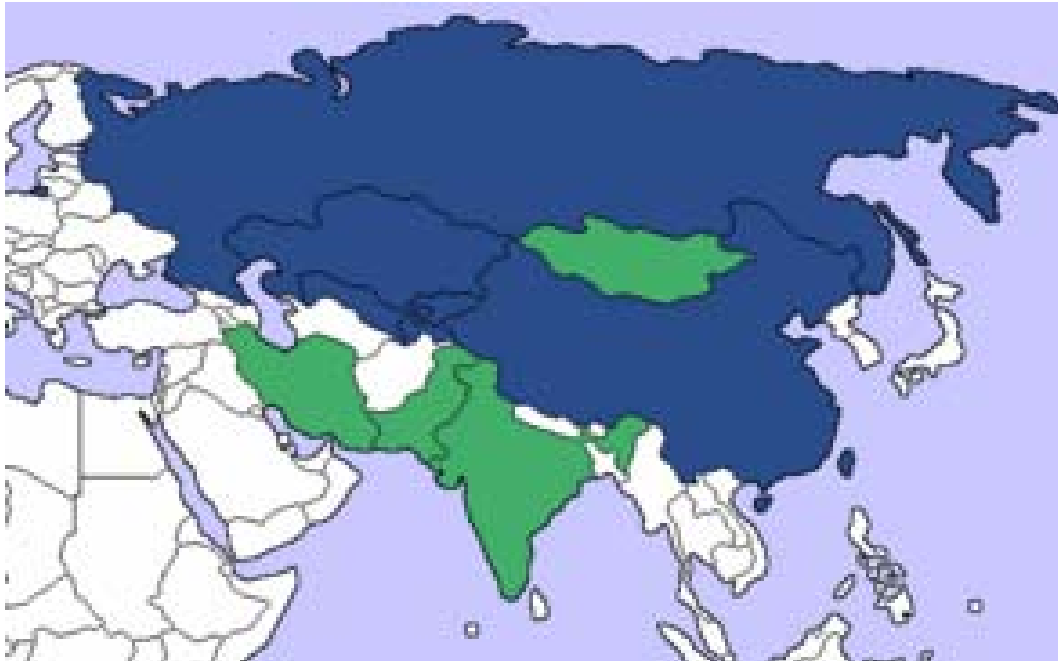
government indicated that its military ties with the U.S. are a matter of bilateral relations disconnected with its membership in the SCO. Russian president Vladimir Putin and his Iranian counterpart Ahmadinejad criticized western unilateralist plans to station missile-defense shields in Eastern Europe. Both Putin's and Ahmadinejad's statements indicated that the SCO's antagonism with the U.S. goes beyond just the military base in Bishkek. The SCO's implicit confrontation with the U.S. stems from the organization's future intentions to expand and consolidate with new member states, as well as its interests to construct a common energy market. Indeed, Moscow's recently deteriorated relations with NATO incited Putin to condemn western unilateralism. Unlike Moscow, official Beijing was not eager to voice open statements against the U.S. or the West in general. "It is simply not in Beijing's diplomatic tradition to make harsh unexpected statements at international events", commented one Kyrgyz public official. Although Chinese President Hu Jintao's speech remained inaccessible to most of the summit's participants due to the logistical failure on the part of the Kyrgyz organizers to provide an interpreter, China's fight against the three evils of "terrorism, separatism and extremism" was still reflected in the Bishkek Declaration. Afghan President Hamid Karzai managed to pull the SCO's attention to the importance of the fight against drug trafficking.

**IMPLICATIONS:** Prior to the summit, Kyrgyz president Kurmanbek Bakiyev expressed hope that Kyrgyzstan would become a transit country for the prospective gas pipeline between Turkmenistan and China. However, on August 18, Kazakh president Nursultan Nazarbayev signed an agreement with Hu Jintao to have the pipeline pass through Kazakhstan. The SCO also approved Kazakhstan's recent parliamentary elections where the pro-presidential Nur Otan party acquired 98 seats of the total 109. Shortly after the summit, the Kremlin announced its intention to double the number of personnel in its airbase in Kant. Putin also promised to invest \$2 billion into Kyrgyzstan's economy. Most likely, these funds will be spent on building the Kambarata-1 and -2 hydropower stations.

After holding its largest summit to date, the SCO staged military exercises in Russia's Chebarkul city involving about 5,000 military personnel. The exercises aimed at preventing terrorist attacks in a small town, a scenario allegedly reminiscent of the upheaval in the Uzbek city of Andijan in May 2005. With Kazakhstan's recent elections unanimously supported by the SCO and military trainings set to protect member states' incumbent regimes, the organization exhibits a clear lack of incentive to promote political openness on its territory. Similar to Nazarbayev, other Central Asian presidents rely on the SCO's support of their leadership. At the same time the SCO experiences difficulties in promoting mutual trust among some of its member states, thus decreasing the potential value of joint anti-terrorist drills. The organization is obviously incapable of improving relations between Uzbekistan and Tajikistan or Kyrgyzstan. For instance, Uzbek President Islam Karimov pointed at the potential conflicts over water and land resources in overpopulated parts of the region. Should Iran and Pakistan ever become members, the SCO's internal cohesion would continue to deteriorate. However, the SCO might also seek expansion vis-à-vis NATO's potential enlargement in Eastern Europe and former Soviet states.



The summit's participants often appealed to the "Shanghai sprit", a concept that should represent a shared identity among the SCO member states. However, the concept bears unclear meaning and every member can interpret it differently. In 2006, Alexander Lukin, Head of the department of East Asia and SCO research at the Moscow State Institute of International Relations, initiated an informal forum for academics from the SCO



*SCO member and observer countries*

countries to generate recommendations on the organization's functioning. So far the forum was held twice, in 2006 and 2007, and collected representatives of major research centers. The central theme at the June 2007 forum was the listing of criteria for potential member and observer states. However, the forum's participants faced difficulties in agreeing on these criteria partly because none of the SCO's current members could qualify under a similar set of criteria. The suggested criteria for potential member states included absence of disputed border areas, respect of human rights, and recognition of the SCO's main documents. Importantly, the forum presented a rare opportunity

for the Central Asian, Russian and Chinese academics to stage debates on regional and international security. Russian and Chinese participants were noticeably better represented.

**CONCLUSIONS:** The Bishkek summit displayed the SCO's willingness to move towards increasing energy cooperation. China remains the organization's main energy consumer, while Russia

increasingly seeks the role of a transit country.

Although remaining largely of a political nature and lacking practical usefulness, the SCO's regular military exercises created a platform for expanding cooperation in the energy sector. However, the SCO is

experiencing troubles with formulating its

identity, as well as finding common criteria for its existing and prospective member states. The organization's numerous agreements in the economic and cultural sectors still lack efficiency. The SCO is mostly based on bilateral ties between member states as opposed to maintaining multilateralism.

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## U.S.-AFGHAN DIFFERENCES OVER NARCOTICS PERSIST

Richard Weitz

*Afghan opium exports are presently flowing throughout most of Central Asia, Iran, Pakistan, Russia, and Europe—with devastating effects on the health and socioeconomic conditions of the transit nations. Afghan and U.S. leaders reaffirmed their joint determination to counter Afghanistan’s narcotics trafficking problem at their recent presidential summit in Camp David. Yet, their professions of mutual support obscured serious differences between the two governments in their approaches to the counternarcotics issue.*

**BACKGROUND:** From August 5-6, Afghanistan President Hamid Karzai and U.S. President George W. Bush met at Camp David to discuss the situation in Afghanistan. A major topic of discussion, besides the problems in neighboring Pakistan and the deaths of Afghan civilians from NATO military operations, was Afghanistan’s worsening narcotics situation. Both presidents addressed the issue in their closing press conference, and Bush acknowledged that he and Karzai had “spent more than a fair amount of time” on the narcotics problem in their weekend meeting.

Afghan and U.S. officials have expressed clear disappointment with the resurgence of Afghan opium cultivation. According to the United Nations Office on Drugs and Crime (UNODC), total poppy production in Afghanistan increased by 49% in 2006, from 4,500 to 6,700 metric tons of opium. Afghanistan is now responsible for over 80% of global opium cultivation and over 90% of the world’s opium production—up from 70% in 2000 and 52% a decade earlier. It has become the world’s largest heroin producing and trafficking country as well. U.S. government experts estimate that opium production currently accounts for a very large share of Afghanistan’s economy: approximately one-third of the country’s GDP is derived from illicit drug trafficking.

Afghan and U.S. leaders assess that Afghanistan’s narcotics industry is either causing or aggravating many of the country’s other serious economic, political, and security problems. Illicit drug trafficking is draining resources away from legitimate economic activity and, by encouraging corruption and other fraudulent practices, undermining Afghan government institutions. It is also complicating Afghanistan’s relations with neighboring countries since traffickers sell drugs to local addicts and use their territory to transport narcotics to other international markets. An increasingly large portion of the country’s raw opium is refined into heroin and morphine within Afghanistan, reducing its bulk tenfold and facilitating its movement through transnational narcotics markets.

At the Camp David summit as well as in the new counternarcotics strategy it released on August 9, the Bush administration reaffirmed the main features of its five-pillar Afghan counternarcotics strategy, announced two years ago. These components include: (1) waging an effective public information campaign; (2) providing opium farmers with alternative livelihood opportunities through their redirection into legal employment activities; (3) enhancing the capacity of Afghan law enforcement agencies to prosecute major

narcotraffickers through their imprisonment or extradition; (4) eradicating opium crops; and (5) interdicting the flow of narcotics within and beyond Afghanistan.

Although basically reaffirming its position, the August 9 strategy document indicated the administration would seek to provide more U.S. financial assistance directly to Afghanistan's provincial governors, employ U.S. intelligence assets to collect detailed imagery on opium trafficking in Afghanistan, and involve U.S. military forces more in counternarcotics operations.

The Afghan government has its own 8-pillar strategy that addresses the elements contained in both the UNODC and U.S. strategies. These programs encompass public information, alternative livelihoods, law enforcement, criminal justice, eradication, institutional development, regional cooperation, and demand reduction. In 2006, the Karzai administration updated its National Drug Control Strategy to provide for a detailed five-year implementation plan for each of the pillars identified in the strategy.

**IMPLICATIONS:** Diminishing Afghanistan's narcotics problem is widely thought to be important to increase the country's security. Some Taliban groups collect tolls, protection money, and other financial contributions from drug traffickers in areas they control. The insurgency also indirectly stimulates drug trafficking by impeding anti-narcotics efforts in the affected regions. For example, eradication teams cannot longer travel safely through contested provinces. In addition, the fighting disrupts efforts to encourage farmers to cultivate alternative crops or prevent smuggling into neighboring countries.

Besides the direct narcotics-terrorism nexus, drug trafficking has reinforced the power of local warlords and criminal organizations in Afghanistan at the expense of the already weak central government of President Hamid Karzai. U.S. law enforcement personnel point to people like Haji Bashir Noorzai, arrested in April 2005. Noorzai allegedly led a large Central Asian drug trafficking

organization while supplying weapons and personnel to the Taliban in return for its protection of his organization.

U.S. policy makers argue that the overlap between the Taliban and the drug traffickers means that the counterinsurgency and counternarcotics campaigns in Afghanistan are mutually reinforcing. Forces involved in both operations can exploit synergies by sharing resources and intelligence. From this perspective, vigorously cracking down on the Taliban insurgents will also mitigate Afghanistan's narcotics problem.

But conducting simultaneous counterinsurgency and counternarcotics missions will invariably require making tradeoffs. First, many Afghans involved in the opium industry are currently allied, if only tactically, with the Karzai government and Western forces, providing both with intelligence and other support against the Taliban. Second, troops engaged in one mission may be made unavailable for the other.

U.S. policy makers appear to acknowledge these problems, at least in practice if not in rhetoric. American military commanders generally avoid using U.S. troops in direct support of the counternarcotics campaign, typically restricting their role to providing training and logistical support to Afghan security personnel in counternarcotics and counterinsurgency issues. They clearly worry that, despite years of training, the limited number of adequately trained Afghan military and police forces are still unable to pursue a comprehensive counternarcotics campaign. At the end of 2006, the Counter Narcotics Police of Afghanistan had hired only 1,100 of its 2,900 authorized staff. The Afghan National Army is also undermanned.

Nevertheless, American policy makers resist diverting U.S. military forces for such tasks as opium destruction. Among other reasons, they fear causing additional civilian casualties and alienating local Afghan leaders who, even if engaged in narcotics trafficking, provide crucial intelligence and other assistance against the Taliban.

In addition, Afghan and U.S. officials differ in their preferred solution to Afghanistan's narcotics problem. American policy-makers have been pressing their Afghan counterparts to allow for the spraying of poppy fields with herbicides, ideally from the air, in order to reach remote or insurgent-infested regions. They attribute the relative success of Plan Colombia to spraying of the coca fields by crop dusters protected by armed helicopters.

With the backing of many NATO governments providing troops to NATO's ISAF, Afghan leaders argue that spraying would increase support for the Taliban insurgency by antagonizing both opium growers and local farmers who fear the herbicide could harm their livestock, crops, and water. Said Jawad, Afghanistan's ambassador to the United States, recently stated that, "We think it's better to put more resources on preventing cultivation because once it's cultivated, it's too late." He added that, if "[y]ou eradicate it, you lose the support of the people." The *Financial Times* cited an unnamed British Foreign Office official who denounced a "mythology of chemicals in the air" on the grounds that aerial spraying would likely cost more in terms of Afghan popular support than it would gain by destroying crops.

**CONCLUSIONS:** Afghanistan's neighbors have expressed growing alarm about the failure of the

international community to manage the country's narcotics problem. Regional governments complain about the flow of drugs into and through their territories, which facilitates narcotics consumption and corrupts their law enforcement personnel. Dealers throughout Europe and Asia rely on Afghan supplies of opium and heroin to satisfy local demand for these illicit drugs. To manage this threat, various international organizations and foreign governments have launched major initiatives to suppress Afghan drug trafficking. The challenge now is to better integrate these programs to avoid wasted resources and unnecessary frictions.

One promising development has been the continued cooperation between NATO and Russia in this area. In December 2005, the NATO-Russia Council (NRC) adopted a NRC Pilot Project on Counter-Narcotics Training for Afghan and Central Asian Personnel. This initiative aims to train officials in Afghanistan and Central Asia for counternarcotics missions. In September 2006, the first group of 44 participants began their training. NATO Secretary General, Jaap de Hoop Scheffer recently described the cooperative program as "an encouraging example of our fruitful cooperation." At a time when relations between Russia and NATO are so strained, pursuing such cooperative programs would prove beneficial.



## UNEVEN PROGRESS IN COUNTERING FINANCIAL CRIME IN THE SOUTH CAUCASUS

*Christian Nils Larson & Michael Jonsson*

*Since 2001, under pressure from the international community, the countries of the Southern Caucasus have all adopted basic anti-money laundering and combating the financing of terrorism (AML/CFT) legislation and Georgia and Armenia have created financial intelligence units. As in many other FSU countries, the legislation typically looks reasonably adequate on paper, but implementation and enforcement measures remain patchy, with Georgia having made the most significant progress. In some instances, there is a troubling tendency to use the legislation as a political tool against opposition politicians rather than to safeguard financial markets. The recent arrest of Armenia's former Minister of Foreign Affairs Alexander Arzumanyan appears to be a case in point.*

**BACKGROUND:** Given the prevalence of market-based organized crime, the proximity to several armed intrastate conflicts and overall high levels of political corruption, the political context in the Southern Caucasus indicates a high risk for money laundering. Yet the U.S. State Department does not currently list any of the countries as “jurisdictions of primary money laundering concern”, as it does EU member Latvia. This may however have more to do with Georgia and Azerbaijan’s frosty relations with Russia, where much of the “dirty money” in Latvia originates, than any astute work by financial police.

Over the past five years, a virtually unprecedented “re-regulation” has swept through the international financial system, primarily targeting terrorist financing. Using a classic carrot-and-stick approach, the Financial Action Task Force threatened to black-list countries that had unsatisfactory AML/CFT regulations, while the international community offered technical assistance to cooperative countries. Not surprisingly, over 100 countries have adopted new legislation against

terrorist financing and money laundering since 9/11. For a majority of post-communist countries, the Council of Europe’s expert group on money laundering (MONEYVAL) has been most active in supporting the development of AML/CTF regulations. MONEYVAL’s teams have carried out recurrent technical peer evaluations of national AML/CFT regulations and issued recommendations for bringing them up to international standards. So far, MONEYVAL has carried out three rounds of evaluations on Georgia and one each for Armenia and Azerbaijan.

Since the early 2000s, legislation and specialized law enforcement agencies dealing with AML/CFT in the Southern Caucasus have developed from non-existent a few years ago to a semblance of coordinated law enforcement efforts today. Among the three countries, Georgia has made the most significant progress under the leadership of the Saakashvili administration. Armenia and Azerbaijan have laws and agencies, but investigation and prosecution efforts remain largely ineffective. Political will and international pressure

continue to be critical determinants of future improvements in this area.

**IMPLICATIONS:** In the early 2000s, Georgia's financial regulatory system had no provisions for identifying or even defining money laundering. At the time of the first MONEYVAL evaluation round there had been no investigations or prosecutions for money laundering, and there was no financial intelligence unit, or even coordination among the relevant law enforcement and financial oversight agencies. By May 2003, very little had changed. Money laundering had been criminalized, but never investigated or prosecuted. Anonymous bank accounts continued to be available, bank secrecy continued to trump due diligence, and exchange bureaux and casinos were largely unregulated.

In January 2004, Georgia brought an AML law into effect and the country's Financial Intelligence Unit (FIU) began to function. Several of the country's law enforcement bodies had established special units to investigate money laundering and the referral of 26 money laundering cases to the General Prosecutor had resulted in 15 convictions. Many of the casinos which were believed to be vulnerable to money laundering had been closed. According to AML/CFT expert Timothy Wittig at St Andrews University, many of the improvements achieved were the result of President Saakashvili's broader anti-corruption efforts, aimed at forging closer ties with the EU and the U.S.. Despite these improvements, however, significant challenges remained. Terrorist financing was not considered a predicate offence for money laundering and money exchangers and casinos were still not fully compliant with their obligations to file suspicious activity reports.

The AML/CFT regulatory regimes in Armenia and Azerbaijan started out from equally abysmal points of departure, but have not improved as rapidly as those in Georgia. At the time of the first MONEYVAL evaluation rounds in 2003, both countries lacked even the most basic provisions to counter money laundering. Neither had a Financial Intelligence Unit nor any general reporting

requirements on suspicions of money laundering. Azerbaijan's central bank had received no suspicious transaction reports and Armenia's central bank had received only five. The comparable number in the U.S. at the time approached 700,000 a year.

By December 2004, Armenia had adopted a nominally comprehensive AML/CFT system, appointed its central bank as a coordinating body and introduced standard reporting requirements. By 2005, the country had established an FIU and entered into some level of cooperation with international counterparts. It had also extended parts of its AML/CTF system to regulate casinos and insurance companies, although the FIU's authority to directly inspect them remained unclear.

During the same period, Azerbaijan had begun to adopt piecemeal laws amending its banking secrecy laws and the existence of so-called 'pocket banks'. Efforts to draft comprehensive AML/CFT legislation were underway in 2005, but progressed slowly. Amendments to the criminal code in 2006 improved the criminalization of corruption and money laundering, but failed to bring the AML/CFT framework up to international standards. A number of working groups had been appointed and charged with drafting improvements to the AML/CFT system, but results remained limited. As of June 2006, the country had no FIU and had reported no AML/CTF investigations or prosecutions. Nevertheless, the offices of one major bank had been raided on suspicion of money laundering, but it remains unclear whether this was related to inter-elite rivalries or the result of well-based suspicions.

**CONCLUSIONS:** The development of regulations to counter money laundering and terrorist financing is often seen as a bureaucratic issue best addressed by technical "peer evaluations". In practice, however, these processes are often highly political, particularly in transitional economies. Outside pressure is typically required to further financial regulations and transparency, yet money laundering prosecutions such as that of Latvian oligarch Aivars Lembergs may cause elites with vested interests in their countries' weak financial systems to gradually

lose their appetite for strong AML/CFT regulations.

Weak AML/CFT regulations not only fail to close the loopholes criminals and terrorists exploit, but their selective implementation may be also used as a tool to hurt political opponents. One case in point may be the arrest of the former Armenian Minister of Foreign Affairs and opposition leader Alexander Arzumanyan, a prosecution which many believe to be highly politicized. Arzumanyan was arrested on May 7, five days before parliamentary elections. Armenian lawyer Vahe Grigoryan said that in this case justice had become “a tool for solving political problems”. Former Deputy Speaker of the National

Assembly Karapet Rubinyan echoed Grigoryan’s sentiment, calling the AML provision a new weapon of subjection and a method of settling political accounts.

While the design of AML/CFT regulations may be a bureaucratic exercise best handled by technical experts, the implementation and enforcement of such regulations can be used as a political tool aimed at either currying favour with the West or targeting opposition politicians.


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New issue of the

### *China and Eurasia Forum Quarterly*

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

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

The issue is freely available online through [www.silkroadstudies.org](http://www.silkroadstudies.org).



## FIELD REPORTS

### FIGHTING ILLEGAL LABOR MIGRATION IN UZBEKISTAN

*Erkin Ahmadov*

Summer season in Uzbekistan marks the beginning of labor migration to the “Near Abroad”. Russia is one of the main recipients of Uzbek workers – up to 58 percent of the labor force leaving the country is concentrated there. High unemployment rates and low wages in Uzbekistan force many to leave their families and homes to earn money for a living. In Russia, they find sources of common labor, costing Russian employers much less than local personnel. Villagers, farmers, blue-collar workers and students fill up the rows of those willing to earn money abroad. Many of them are not aware of legal procedures for labor migration, making for a large number of illegal migrants registered neither in Uzbekistan nor in Russia. All these factors create conditions for underpayment, complete absence of social guarantees, and bad treatment by employers. Cases of *gastarbeiters* being exploited, enslaved or killed have lately become quite frequent.

Perhaps being aware of the above-mentioned incidents, Uzbek authorities introduced a government resolution “On registration of the citizens of the Republic of Uzbekistan seeking employment abroad” in May 2007, aiming to “provide protection to the citizens of the republic during the period of their stay abroad”.

Counting and registration of labor migrants will be accomplished by three state agencies. The State Statistics Committee and the Customs Statistics Committee will make quarterly reports on the

quantity of people leaving the country, inquiring their purpose of leaving by designing an improved form of customs declaration. The ministries of Labor and Social Security, together with the State Statistics Committee and the Ministry of Economics, will produce a questionnaire for quarterly inspection of labor migration. The Ministry of Foreign Affairs is to conduct monitoring of the citizens employed abroad or engaged in entrepreneurial activity.

Since 2003, in order to leave abroad for work, citizens of Uzbekistan were supposed to apply for a labor abroad permit issued by a special department of the Agency of External Labor Migration under the Ministry of Labor and Social Security, which coordinated its decisions with a Joint Committee of the Ministry Cabinet. However, practice showed that very few could receive the permit. The new resolution declares that the same Agencies and Ministries are responsible for introducing proposals on simplifying the procedure of acquiring the permits, providing for a substantial reduction of costs. Perhaps surprisingly, the current legislation of the Republic of Uzbekistan does not entail any serious punitive measures on labor activity abroad without official permit of Uzbek authorities. At most, they may be charged on such administrative offenses as not paying taxes, concealing incomes, or violating entrepreneurial activity procedures. All these administrative infringements would result in fines of three, five or ten minimum wages.

The effectiveness and authority of the resolution still leaves space for speculation. The promised protection of rights is hardly mentioned in the text of the resolution, which mainly stresses the importance of having accurate numbers available of people working abroad. According to the data compiled by the Russian Federal Immigration Service, there were 102,658 officially registered labor migrants and about 1.5 million illegal immigrants from Uzbekistan in Russia in 2006. Together, legal and illegal workers annually send home about US\$1.3 billion in remittances, making up to 8 percent of the country's GDP. It is important to keep in mind that for now, this money is not taxed.

On July 4, 2007, during the visit of the first deputy prime minister of Russia Sergey Ivanov, three agreements concerning migration politics were signed between the Russian and Uzbek governments. They addressed labor activity and protection of the rights of the working migrants (both Russian citizens in Uzbekistan and Uzbek citizens in Russia); cooperation in fighting illegal migration; and the deportation of illegal workers. Furthermore, recently the Moscow government initiated the development of antidumping legislation, which would reduce opportunities for

creating underpaid jobs for foreign workers. In 2007, the quota of permits set for working immigrants from CIS came to 6 million. The Russian government believes that this number already exceeds the demand for labor resources. Together with illegal *gastarbeiters*, they create high competition for jobs in the labor market, agreeing to low wages and bad working conditions.

Obviously, there is a considerable concern with growing illegal labor migration both in Uzbekistan and in Russia. It seems that the adopted resolution and agreements aim to improve the situation of the common people, yet the immediate outcomes promise little help. Either labor migrants will have to go through highly bureaucratic procedures of acquiring a permit to work abroad, or they will be fined for their labor activity abroad as administrative offenders. It may also lead to a significant reduction of the quotas on permits for working in Russia that will take away the jobs of hundreds of thousands, yet probably improve the working conditions and wages of those who manage to break through.

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## GEORGIA SEEKS AGAIN TO ATTRACT TOURISTS

*Kakha Jibladze*

The Georgian government is creating a master plan to develop tourism in the country in a bid to ease unemployment. While unemployment estimates vary depending on the source, there is little doubt that it is one of the country's most pressing problems.

According to a 2006 report by the United Nations World Tourism Organization, international tourism is a multibillion dollar industry. In a recent AP article, experts noted that over 70 countries

around the world have earned millions for local budgets by incorporating local traditions into tours for foreign tourists, like indigenous coffee makers and other grassroots industries.

In Georgia, where tourism is still in its rudimentary stages, the government has teamed up with the United States Trade and Development Agency to create a strategy to attract more tourists and cultivate "sustainable tourism" in the country. One of the government's first steps was creating a

financing program for small and medium businesses in the country. This program, which allocates five million lari to both existing and proposed small and medium businesses involved in tourism, is reportedly modeled on a similar Croatian program. In Croatia, the government has used tourism to create jobs for over 80,000 people, according to the country's department of statistics.

The program, which started in June, aims to solve one of the most pressing problems for entrepreneurs in Georgia: access to loans and finance. While banking conditions and costs have improved over the past few years, it is still very expensive – and very difficult – for average Georgians to receive viable business loans. Statistics for the new program are not available yet, but according to government sources, these loans will cost half the market price (usually 24 percent) and have a longer maturity terms (of five years).

The Georgian government has promoted tourism as a way to increase employment figures – in 2007, the government invested in a complete renovation of the historic eastern city of Sighnaghi in Kakheti. The initiative has resulted in a surge of local employment for construction workers and there is hope that it will also bring more tourism – and a larger demand for hospitality and catering services.

Georgian President Mikheil Saakashvili is also hoping that tourism can provide some much needed jobs, especially in the regions. As part of the government-led initiative, ten tourism institutes are scheduled to open across the country. On July 6, he opened one such school in the resort town of Kobuleti in Adjara, the autonomous region near the Black Sea. According to Saakashvili, the current employment situation is a “paradox” because the country has a huge pool of potential workers but no one qualified to meet the demands of the modern work place.

“Today we have unemployment in Georgia and we face a huge lack of qualified workers...It is a paradox, because there are lots of unemployed

people, but there are lots of vacancy announcements,” Saakashvili was quoted to say. “Our duty, as a state, is to help employers and job seekers to come together...This school is the first step in that direction.”

The president also called the current level of service in Georgian hotels and restaurants “beyond contempt.” In Tbilisi, the government is also opening a tourism training center.

High levels of unemployment have plagued the country since independence over a decade ago. Although Georgia once enjoyed one of the highest standards of living in the former Soviet Union, war and neglect, in addition to the breakup of the Soviet-era command economy, have left hundreds of thousands of Georgians without durable employment prospects.

According to official statistics, only 18 percent of the country's working age population is “engaged in salaried employment.” While exact figures from the tourism sector as a whole are not available, officially a little under 5,000 people are employed in the country's hotel industry.

Any initiative that will create a demand for employment outside of Tbilisi will help ease the economic crisis in the country's rural regions. However the tourism sector in Georgia is currently in such a low level of development that the Georgian government will have to invest heavily in basic infrastructure, like roads and natural parks, to even begin to tap the country's potential. In addition, unlike European countries like Croatia, Georgia does not have a past history as a tourist destination for Europeans, so the country is forced to create a niche in the market from scratch.

While it is positive that Tbilisi is finally actively looking for a way to boost employment, if the government makes too many unreasonable promises of jobs for villagers in the rural areas before it has made proper investments in infrastructure, the plan could backfire and cause more distrust and dissatisfaction among the general population.

## RUSSIA BOLSTERS KAZAKH BUFFER ZONE AGAINST AFGHAN DRUGS

*Marat Yermukanov*

The incessant stream of drugs from poppy fields in Afghanistan is apparently one of the few remaining areas of cooperation between Kazakhstan and Russia, in which both sides genuinely have common goals. Since Russia handed over the protection of the troubled Tajik-Afghan border to poorly equipped and ill-trained Tajik border guards, Russian authorities on many occasions publicly expressed their concerns over the security of Russian outposts in the South.

Last year, the Russian Federal Service for Drug Control extended its activities abroad to open its office in Kabul and in the countries located on the “Silk route” of drug trafficking. Kazakhstan, on its part, showed readiness to cooperate with Russia in a bid to stem the tide of drugs coming from both Europe and Afghanistan. On July 30, Oleg Kharichkin, the deputy director of the Russian Federal Service for Drug Control, arrived in Astana to hold talks with his Kazakh counterparts. Oleg Kharichkin, after signing agreements on cooperation in counteracting drug trafficking, said it was “the final stage of our bilateral relations”. He stressed his belief that over the last few years, Russian and Kazakh counter-narcotics units carried out a number of joint operations. Maratkali Nukenov, the chairman of the Committee for Fighting Drug Trafficking of the Interior Ministry of Kazakhstan was markedly restrained in his comments, complaining of the “bureaucratic obstacles” created by authorities which minimize the effect of the cooperation.

Russian and Kazakh counter-narcotics units have been working together for many years, but with little success. As the closest ally of Russia in Central Asia, Astana always demonstrated its friendly and trustful attitude towards Russia, leaving the sections

of its border with the great northern neighbor practically unguarded, and introduced a “simplified procedure” of passport control in border areas. As a result, drug dealers easily cross the border through dozens of check-points in both directions. Recently, members of the counter-narcotics squad of the Interior Ministry and Russian special services detained eight drug traffickers, Kazakh and Russian nationals, in the Pavlodar region of North Kazakhstan on the Russian border and seized 900 kilograms of marijuana. The detained were heading for Kazan, the capital of Tatarstan in Russian Volga region. But it was only one of the numerous well-established drug trafficking networks located by the police. Many more are still operating in border areas without much risk of being caught. There is a clear explanation to the brazen way with which drug dealers show their contempt for the law. Corrupt officials often close their eyes to rampant drug trafficking. Bribery has taken deep roots even in law enforcement bodies. In the South Kazakhstan region, four police officers of the Tolebi district police department were recently sentenced to prison sentences ranging from 10 to 14 years for selling heroin.

Alikhan Baimenov, a former member of parliament, addressing the annual conference on cooperation and security in Central Asia, held in Almaty on June 5 this year announced that religious extremism and drug dealing cannot be rooted out or effectively reduced as long as corruption thrives in Central Asia. He stated that for drug trafficking to be stamped out with more or less success, governments of Central Asian nations should promote civil movements.

As part of the counter-narcotics campaign, the Almaty department of the Committee for Fighting

Drug Trafficking appealed to managers of night clubs and other entertainment business to cooperate in fighting drug trafficking. But this campaign is obviously doomed to failure, since the Interior Ministry threatens to close down entertainment centers on the slightest suspicion of drug dealing. This extreme measure definitely infringes on the rights of business people and is likely to provoke a wave of protests. But Maratkali Nukenov, the chairman of the Committee for Fighting Drug Trafficking believes the end justifies the means. According to him, the Interior Ministry is already working on amendments to Code of administrative offences. If these amendments are endorsed, law enforcement bodies would not hesitate to close down any night club or other entertainment places suspected of drug dealing. Maratkali Nukenov says these harsh measures are necessary, since currently people in entertainment centers who peddle drugs get away with slight administrative fines and continue their illegal activities.

The Interior Ministry has reported 22 cases of drug abuse in the entertainment centers of big cities. The report states that this year, more than 6,000 drug-related crimes were registered by the Interior Ministry and more than 6 tons of narcotics were seized, including 250 kilos of high-grade heroin. What is more saddening is that more than 600 kilos of drugs were seized in Astana, depicted as the model city for the young generation. Since the beginning of the year, around 500 crimes related to illegal drug trafficking took place in Astana.

Public outcry over the rapid spread of drugs often remains unheeded by government and local authorities. Officials are not only entangled in red tape and bureaucracy, but are also largely unable to handle the situation which has long spun out of control. Officially reported drug users in Kazakhstan exceed 50,000. But independent experts believe this figure should be multiplied by five to get arrive at accurate data. Drug dealing has already assumed such a scale that hardly anyone in the Interior Ministry believes international efforts will bear fruits. Nevertheless, Foreign Minister Marat Tazhin, speaking at the meeting of the Council of Foreign Ministers of the Shanghai Cooperation Organization (SCO) held in Bishkek on July 9, stressed the importance of international cooperation in fighting drug trafficking, with the Council of Europe and the OSCE above all. He pointed out the importance of technical and humanitarian aid to Afghanistan in stabilizing the region. Officials in the Foreign Ministry, it appears, do not overestimate what Russia can offer to turn the tide of drugs from Afghanistan. Some analysts attribute the unprecedented scale of the drug business to the fall of Taliban in Afghanistan who allegedly did a good job eradicating almost all poppy fields. This view may trigger some sympathy for the Taliban in largely Muslim Kazakhstan. But Kazakhstan, as a transit route for drug traffickers, has no other option than to cooperate with the international community.

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## TV TRIALS AND DEBATES ON LEGAL REFORMS IN KYRGYZSTAN

*Kairat Osmonaliev*

One of the most urgent contemporary problems in the Kyrgyz Republic is the problem of legal education of the population. During the fifteen years of the country' independence, there have been

fundamental changes in the legal system, in the framework of which a background for the realization of the rights and legal interests of citizens has been created. Criminal procedural and

civil procedural codes regulate procedures for the protection of the rights and interests of citizens. There are precedents of just law enforcement evolving, though these are not yet as common as could be desired.

At the same time, there is a widespread distrust among population towards judicial institutions, widely seen as affected with corruption. This is one of the reasons why citizens seldom decide to seek legal redress. Another reason for that is that many citizens are not aware of the possibilities that do exist for the purpose of protecting their rights and legal interests in a judicial way. Hence, the level of protection and legal education of the population is quite low. It is also an indication of a degradation of democracy. The population is not informed about judicial-legal reforms that can be successfully implemented only in the case of widespread support for such reforms by the majority of citizens.

For this reason, increasing the awareness of the population regarding the implementation of judicial-legal reforms is a very important task. Showing the people how judicial processes operate in various legal areas such as the civil, criminal, and economic is of primary importance to the development of a consciousness of rights.

In this connection, the role of television is difficult to underestimate. In the Russian Federation, there are TV shows such as “Federal judge”, “An hour of judgment”, etc., which generate interest among the

audience and perform the function of reducing legal illiteracy. In Kyrgyzstan, such television shows have also appeared, thanks to support from the German Society for Technical Cooperation (GTZ). From December 2006 to June 2007, eight television shows in a court room were shot in one of Bishkek’s districts which featured some of the most common civil and criminal cases. Four additional shows, hosted by this author, were shot in a TV studio belonging to the Kyrgyz national channel in the form of TV debates on questions of the judicial and legal reform. Court hearings were shown interwoven with 30-minute long televised debates among scholars and practitioners during which problems of judicial-legal reform were discussed.

The shows did elicit public resonance. Students and teachers of the Kyrgyz National University had been involved in shooting television court examinations. Moreover, practicing lawyers, advocates, prosecutors and judges were also involved in the implementation of the project. Members of parliament and representatives of NGOs were invited to participate in the televised debates. During the Fall of 2007, these projects will move to a new level, as TV shows will be disseminated in DVD format, and distributed to judges, the Training Center for Judges, universities and libraries around Kyrgyzstan.

## NEWS DIGEST

### **KAZAKHSTAN AGREES TO EXPAND COUNTERTERROR COOPERATION WITH JORDAN**

**10 August**

Following a meeting in Astana, Kazakh President Nursultan Nazarbaev announced on August 9 that a new agreement on expanding counterterrorism cooperation with Jordan was signed with visiting Jordanian King Abdallah II, RFE/RL's Kazakh Service reported. The new agreement calls for specific cooperation between the two countries' security services and for measures to "fight extremism and international crime." Lesser agreements were also concluded, including a contract for the Jordanian import of 300,000 tons of Kazakh wheat, the construction of a pharmaceutical plant in Jordan, and an accord providing Kazakh technical assistance in uranium exploration in Jordan, according to Kazakh television. In a separate meeting with Kazakh Prime Minister Karim Masimov the same day, the Jordanian monarch expressed hope that bilateral ties will deepen further, citing a new agreement on air transport that names Royal Jordanian Airlines as the official carrier from Jordan to Kazakhstan and Air Astana as the official air carrier from Kazakhstan to Jordan. The Jordanian minister of education, higher education, and scientific research, Khalid Tuqan, also approved on August 9 a memorandum of understanding between the two countries' Education Ministries. Heading a delegation of senior Jordanian officials and businessmen, Abdallah arrived in Astana on August 8 on the start of an official three-day visit to Kazakhstan. (RFE/RL)

### **TAJIK PRESIDENT VISITS AZERBAIJAN**

**13 August**

Accompanied by several government ministers, Emomali Rahmon arrived in Baku on August 13 on a two-day official visit, Russian and Azerbaijani media reported. Following talks with

his Azerbaijani counterpart Ilham Aliyev, Rahmon told journalists that the two countries plan to raise bilateral trade turnover from last year's level of \$131 million to \$500 million, and that Azerbaijan will send a group of experts to Tajikistan to prospect for oil. Aliyev said Azerbaijan has plans for investment in Tajikistan, but did not elaborate. The two presidents signed a joint declaration registering their shared position on economic integration and bilateral and regional cooperation. Also signed were intergovernmental agreements on trade; avoiding dual taxation; science and technology; education; and communications. (day.az)

### **KAZAKH OFFICIAL HOPES FOR REVERSAL OF AUSTRIAN EXTRADITION RULING**

**13 August**

Kazakh Interior Ministry spokesman Baghdad Kozhakhmetov said on August 13 that "there are still chances" for a successful challenge to Austria's refusal to extradite Rakhat Aliev, the former son-in-law of Kazakh President Nursultan Nazarbaev. At a press conference in Astana, Kozhakhmetov said Kazakhstan intends to challenge the Austrian court's ruling by bringing an "appeal to a higher court, as well as international courts." A court in Vienna earlier in the month ruled against the extradition request for the return of Aliev, who until recently served as the Kazakh ambassador to Austria. The spokesman added that Kazakh officials are "perplexed" by the court ruling and vowed to "secure Aliev's extradition," noting that "if Aliev tries to go to another country using his documents, he will be detained and handed over" to the Kazakh Interior Ministry. Aliev faces criminal charges of corruption, money laundering, and kidnapping in Kazakhstan. (Interfax-Kazakhstan)

## **UZBEKISTAN HOSTS INTERNATIONAL CONFERENCE ON ISLAM**

**14 August**

An international conference devoted to Islamic culture and society opened on August 14 in the Uzbek capital, Tashkent. The conference, which includes participants from some 30 countries and officials from the Arab League, the Organization of the Islamic Conference, and the United Nations, is taking place in the city designated as the 2007 "capital of Islamic culture" by the Morocco-based Islamic Educational, Scientific, and Cultural Organization. Uzbek President Islam Karimov hailed the conference as proof of the "large contribution Uzbeks have made to the development of Islamic culture," and invited the dozens of visiting Islamic scholars, religious leaders, and public figures to celebrate Uzbekistan's centuries-old Islamic heritage. (AFP)

## **MILITANT LEADER'S EX-WIFE APPEALS TO PUTIN**

**14 August**

Zukhra Tsipinova, who was married for five years to Anzor Astemirov (aka Amir Seyfulla), now a leader of the so-called Kabardino-Balkaria jamaat, has written to President Putin, Russian Prosecutor-General Yury Chaika, and presidential human-rights commission Chairwoman Ella Pamfilova to protest continued victimization and harassment by the police and security services. Tsipinova explained that she married Astemirov, then a "law-abiding citizen," in 2000 and divorced him in 2005, since when she has been unaware of his whereabouts. She said she learned of Astemirov's putative involvement in militant activities, including the October 2005 attacks on police facilities in Nalchik only from the media. She remarried in May 2007 and moved with her new husband to Adygeya. Her husband was arrested five days later, and security officials have said they will release him only if she divulges Astemirov's whereabouts. Tsipinova asked Putin to intervene on her behalf and that of her six-year-old son, who has been expelled from several kindergartens because of his father's terrorist reputation. On August 2, the Interior Ministry of the Kabardino-Balkaria Republic has offered a reward of 3 million rubles (\$117,354) for

information leading to Astemirov's capture. (RFE/RL)

## **INGUSH WRITER APPEALS TO WORLD COMMUNITY**

**14 August**

Respected Ingush writer Issa Kodzoyev has addressed an open letter to international organizations, including the United Nations, the European Parliament, and the Arab League, and to the presidents and legislatures of Russia, the United States, Turkey, Japan, and almost two dozen European countries, appealing for support to end the arbitrary violence and reprisals to which the population of Ingushetia is subjected on a daily basis. Kodzoyev said that the violence is a concerted effort to provoke a popular uprising in Ingushetia that would serve as a pretext for armed intervention to "restore constitutional order." Kodzoyev raised the possibility, as have other Ingush commentators, that President Putin's entourage deliberately misinforms him about the situation in Ingushetia. (ingushetiya.ru)

## **PUTIN SHOULD REMAIN FOR THIRD TERM - NAZARBAYEV**

**16 August**

Kazakhstan President Nursultan Nazarbayev has said that Vladimir Putin should have his presidential office extended for a third consecutive term. "I think the Russian people should make him [Putin] remain in office for a third term. The president must do everything that is needed for his country and his people," Nazarbayev said in an interview with St. Petersburg television channel STO on Thursday. "We were elected by our people, and we work from them, and the rest is all nonsense," he said. (Interfax)

## **PUTIN WANTS REGULAR SCO EXERCISES**

**16 August**

Russian President Vladimir Putin has proposed holding regular exercises within the Shanghai Cooperation Organization (SCO). "The idea of holding such regular exercises on the territory of various SCO member-countries deserves consideration," Putin told a SCO summit in Bishkek on Thursday. "The system being created to collectively respond to the threats



facing the region is intended to help bolster the SCO's potential in security matters. Its elements will be fine-tuned during tactical maneuvers, including the Peace Mission-2007 exercises, which are taking place in Chelyabinsk. We will watch their final phase tomorrow," he said. (Interfax)

### **PUTIN PROPOSES CREATING "FINANCIAL SECURITY ZONES" ALONG AFGHAN BORDER**

**16 August**

"Financial security zones" could be added to "anti-drug security belts" along the Afghan border, Russian President Vladimir Putin told a Shanghai Cooperation Organization (SCO) summit in Bishkek on Thursday. "It is important to continue creating 'anti-drug security belts' along Afghanistan's [border]. 'Financial security zones' could be added to them. The financial monitoring services of the SCO member-countries could help fulfill this task," he said. "It will help increase the efficiency of the fight against drug trafficking and money laundering," the president said. Measures to counter drug trafficking in all SCO member-countries are highly important, Putin said, adding that he means joint operations, personnel training and analysis of certain national laws. "We expect heads of anti-drug structures to conduct a comprehensive analysis of the situation and to put forth suggestions on ways to conduct systematic work in this area," the president said. "We hope that observer-countries with the SCO, primarily the Afghan authorities, the UN and the international community as a whole, will closely cooperate with us to stem drug trafficking," he said. (Interfax)

### **US TO FUND FEASIBILITY STUDIES OF TRANS-CASPIAN ENERGY PIPELINES**

**16 August**

The US will provide Azerbaijan with a 1.7-million-dollar (1.27-million-euro) grant to pay for research into the viability of building new pipelines to carry Central Asian oil and gas across the Caspian Sea to Western markets, US officials said here Thursday. "This is the largest grant that the US Trade and Development Agency has given Azerbaijan, which testifies to its political

importance," Daniel Sullivan, US assistant secretary of state for economic, energy and business affairs, told reporters in the Azerbaijani capital Baku. The grant will fund feasibility studies on two pipelines across the Caspian Sea. One would deliver oil from Kazakhstan to the Baku-Tbilisi-Ceyhan pipeline, which currently pumps Azerbaijani crude to Turkey. The other would ship gas from Kazakhstan and Turkmenistan across the Caspian to feed the South Caucasus Pipeline, which also connects to Turkey. Azerbaijan, a US-friendly Muslim state wedged between Russia and Iran, is a key partner in the Western-backed corridor of oil and gas pipelines built in recent years to deliver Caspian energy resources to the West. (AFP)

### **2 TAJIK GUANTANAMO INMATES SENTENCED**

**17 August**

Tajikistan's high court on Friday sentenced two former detainees of the U.S. military prison in Guantanamo Bay, Cuba, to 17-year terms for serving as mercenaries in Afghanistan, a court judge said. Mukit Vokhidov and Rukhiddin Sharopov were also found guilty of illegal border crossing, Judge Musammir Urakov said. Vokhidov and Sharopov were accused of entering Afghanistan in 2001 and serving as mercenaries for the Islamic Movement of Uzbekistan, an al-Qaida connected militant group responsible for several bombings and armed incursions across ex-Soviet Central Asia. They were detained by the U.S. military in northern Afghanistan in November 2001 and taken to the U.S. Guantanamo base. In March, they were handed over to Tajik authorities. Urakov said the two maintained their innocence. "In their last words, they said they didn't expect such consequences for acts they committed," he said. The IMU is blamed for bomb blasts outside the Tajik Emergencies Ministry in 2005 that killed two people and injured three. (AP)

### **GEORGIA RECEIVES FIRST IBA LOAN FOR BAKU-TBILISI-KARS RAILWAY**

**17 August**

The Marabda-Kartsakhi Railway, the operator of the Georgian section of the Baku-Tbilisi-Kars rail corridor, has received a first credit tranche

from the International Bank of Azerbaijan, amounting to \$40 million, to build this railway, a source in the company told Interfax. The source said that in line with an international agreement between Georgia and Azerbaijan, the total volume of the IBA credit is \$202 million, and it is being provided for 25 years at 10% per year. The first tranche will be used to build a 29-km railway to the Turkish border, and also a wheel-changing station, to change trains to the European gauge from the system used in Georgia. The total cost of the Baku-Tbilisi-Kars project is \$422 million, of which \$202 million will be spent on the Georgian section and \$220 million - on the Turkish. The railway is expected to show a profit from 2009. According to the calculations, in its first year it will transport 3 million tonnes of freight, and in the following three years - 5 million tonnes per year. It is planned that by 2015 the railroad will carry 15 million tonnes of freight per year. (Interfax)

#### **RUSSIA, CHINA, OTHER SCO COUNTRIES FIT TO COUNTER TERROR - PUTIN**

**17 August**

Russian President Vladimir Putin said he is confident that Russia and China, as well as other SCO (Shanghai Cooperation Organization) countries, are capable of a worthy contribution to the fight against terrorism, a view Chinese leader Hu Jintao seconded, highly praising the completed Peaceful Mission-2007 exercises in the process. "I am confident that by cooperating with other countries in world, Russia and China, as well as other SCO countries, will make a worthy contribution to the cause of fighting terror," Putin said at a meeting with the Chinese leader on Friday after the completion of the Peaceful Mission-2007 exercises. (Interfax)

#### **RUSSIA BLOCKS UN VOTE ON GEORGIAN MISSILE INCIDENT**

**17 August**

Russia vetoed on August 16 a UN Security Council vote on two drafted statements submitted by the United States concerning the August 6 incident in which an unidentified aircraft entered Georgian airspace

and dropped or jettisoned a missile. Russian Ambassador to the UN Vitaly Churkin said that any discussion of the drafts would be premature as Russian experts arrived in Georgia to participate in the investigation into the incident only on August 16. In Tbilisi, Russian ambassador-at-large Valery Kenyaikin told journalists late on August 16 that the Russian experts have provided their Georgian colleagues with Russian radar records that prove Russia was not responsible for the incident. In a statement summarized by Caucasus Press on August 17, the U.S. Embassy in Tbilisi called attention to what it termed the "credible" preliminary conclusion by an international group of experts probing the incident. That report failed to identify the type or origin of the aircraft in question, but said that it entered Georgian airspace from Russia, and noted that the Georgian armed forces do not have missiles of the type dropped. The statement further urged the international community to support confidence-building measures in South Ossetia; international monitoring of the Roki Tunnel linking South Ossetia with the Russian Federation; the deployment of OSCE observers throughout South Ossetia; and to intensify efforts to promote a peaceful solution of the South Ossetian conflict. The U.S. State Department similarly released a brief statement on August 16 saying, "we believe the report accurately summarizes the available evidence," "The New York Times" reported on August 17. (RFE/RL)

#### **KAZAKH-CHINESE TRADE TURNOVER WILL REACH \$1 BLN PER DAY - NAZARBAYEV**

**18 August**

Kazakh President Nursultan Nazarbayev hopes that Kazakh-Chinese trade turnover will reach \$12 billion in 2008. "I hope that the trade turnover will be \$12 billion. This means that our economy will have \$1 billion every month," Nazarbayev said at a joint press conference with Chinese President Hu Jintao on Saturday in Astana. "Of course, it is great to reach the level of the U.S.-Canadian trade turnover - \$1 billion every day. I am convinced that we will do this," the president said. "The fact that we will secure \$10 billion in the bilateral trade turnover this year instead of

2010 as it was planned earlier proves that our trade and economic relations are successful," Nazarbayev said. "A large number of interaction issues" was discussed at a meeting with the Chinese leader, Nazarbayev said, adding that "the key topic was, of course, trade, economic, and investment cooperation." "We discussed such cooperation areas as energy, oil and gas industry, petrochemicals, oil processing, tourism, transport, and communications, in details today," Nazarbayev said. According to the Kazakh presidential press service, the total amount of Chinese investments in the Kazakh economy stays at \$8 billion. According to Chinese statistical data, the Chinese-Kazakh trade turnover grew 22% in 2006 year-on-year and totaled \$8.3 billion. The bilateral trade turnover reached \$4.7 billion in January-May 2007, a 59.4% increase compared with the same period in 2006. (Interfax)

### **KAZAKHSTAN OPPOSITION DOESN'T RECOGNIZE ELECTION RETURNS**

**19 August**

Kazakhstan's opposition parties Ak Zhol (Bright Path) and Nationwide Social-Democratic Party do not recognize preliminary returns of Saturday's parliamentary elections, announced by the Central Elections Commission. "We don't recognize the outcome of the elections. They absolutely do not reflect the actual alignment of political forces or the social support they draw. These elections are neither a step forward, nor even remaining at standstill," a leader of the Ak Zhol Party, Burikhan Nurmukhamedov told Interfax on Sunday in Astana, while commenting on the results announced. He said, citing his own figures, that Ak Zhol had mustered about 12% of the vote. "We have definitely won these votes," he said. "We were shocked [by the figures announced by the Central Elections Commission,]" Nurmukhamedov said, adding that, "reports on irregularities are being processed and will be submitted to the Central Elections Commission, to the Prosecutor General's Office and other law enforcement agencies." Ualikhan Kaisarov, the Nationwide Social-Democratic Party's representative in the Central Elections Commission described the elections as "utter profanation." "The elections have been utterly

profaned," he told the press. "Only one party - Nur Otan - is represented in the parliament! What democracy can one talk about?" Kaisarov said. Central Elections Commission Chairman Kuandyk Turgankulov said at a press conference in Astana on Sunday that the governing party, Nur Otan, had won a confident victory in the elections, mustering 88.05% of the vote. The Nationwide Social-Democratic Party came in second with 4.62% and Ak Zhol third with 3.27% of the vote. According to preliminary reports, none of the parties, except Nur Otan, has won seats in the lower house of parliament. Seven parties ran in the elections. The threshold required for parliamentary representation is 7%. (Interfax-Kazakhstan)

### **AHMADINEJAD SEEKS TO COUNTER US CLOUT IN AZERBAIJAN**

**20 August**

Iranian President Mahmoud Ahmadinejad was due Tuesday to begin an official visit to neighboring Azerbaijan, seeking to counter US influence in the oil-rich, fellow Shiite Muslim country. Officials said a number of bilateral agreements would be signed with Azerbaijani President Ilham Aliyev during the two-day visit, including cooperation deals on energy and transportation. Although Ahmadinejad has visited Baku before to attend international events, the trip will be his first official visit to the country, said Mahjid Feizullan, the spokesman for the Iranian embassy. Azerbaijan has close diplomatic and trade relations with Iran, with which it shares strong historical and religious ties. Northern Iran is also home to 16 million to 30 million ethnic Azeris, according to varying estimates, easily outnumbering the 8 million in Azerbaijan itself. But the country is also a key US ally in the strategic Caucasus region, wedged between Iran and Russia. The US has strongly backed a corridor of pipelines to deliver Azerbaijani oil and gas through Turkey to Western markets. Washington has also provided military assistance and held joint exercises with Azerbaijan, which, in turn, allows its airspace to be used by North Atlantic Treaty Organization planes for crucial access to Central Asia and Afghanistan. Analysts said Ahmadinejad would be looking to address Tehran's concerns about

Azerbaijan's pro-Western course. "The president of Iran will be interested, first of all, with the question of the possible use by the US of Azerbaijani territory against Iran," said Vafa Guluzade, a one-time foreign policy adviser to former Azerbaijani president Heidar Aliyev. Washington has expressed interest in obtaining the use of airfields in Azerbaijan for military purposes, and analysts speculate that the US has studied using Azerbaijan as a potential launchpad for attacking Iran. Azerbaijan has categorically rejected rumours that it would let US troops use its territory to attack neighboring countries. Analysts said the two presidents were also likely to discuss Russia's proposal to use the Soviet-built Gabala radar station in Azerbaijan as part of a missile-defense system the US is proposing to counter potential threats from Iran and North Korea. Iranian officials have said they are not concerned by the proposal, which, experts say, is unlikely to be accepted by the US. The two leaders were also expected to discuss a long-running dispute over maritime borders in the Caspian Sea. Iran and Azerbaijan, along with the other states with Caspian shorelines, Kazakhstan, Russia, and Turkmenistan, have been unable to agree on how to divide up the sea. Despite cultural and religious links between the two countries, many Azerbaijanis mistrust the authorities in Tehran, accusing Iran of denying the rights of ethnic Azeris across the border, and of trying to spread Islamic fundamentalism to their secular ex-Soviet state. (AFP)

### **RUSSIA TO EXPAND MILITARY BASE IN KYRGYZSTAN**

**21 August**

Russian Ambassador to Kyrgyzstan Valentin Vlasov announced on August 20 that Russia intends to expand its military presence at the Kant air base outside Bishkek. Vlasov said that the number of Russian servicemen and maintenance personnel will be increased, reflecting the significance of the Kant air base as both "the face of Russia's military presence in Kyrgyzstan" and as "a very important part of the system of ensuring stability in Central Asia in the framework of the Collective Security Treaty Organization." The Russian Air Force commander of the Kant base, Colonel Vladimir

Nosov, also revealed that the overall number of servicemen stationed at Kant has already been increased by 50 percent this year. Nosov also hailed the combat readiness of the Russian flight crews under his command, adding that "since the air base was founded nearly four years ago, it has evolved from forward headquarters to a combat aviation group capable of operating in drills and in a combat environment," Interfax reported. Following a meeting in Bishkek in June between Russian Defense Minister Anatoly Serdyukov and his Kyrgyz counterpart, Ismail Isakov, the Kyrgyz Defense Ministry announced it expects to receive military equipment worth \$2.5 million from Russia this year, compared to \$2 million in 2006, largely intended as compensation for the use of the Kant base by the Russian Air Force. As of June, 250 Russian Air Force officers and 150 personnel are stationed at the air base, which is equipped with five Su-25 attack aircraft and two Mi-8 helicopters. (RFE/RL)

### **KYRGYZSTAN ALLOWS HEAD SCARVES IN PASSPORT PHOTOS**

**21 August**

Jyldyz Akmatbekova, a lawyer at the State Agency for Information Resources and Technology, announced on August 20 that Kyrgyz women will be allowed to wear Islamic head scarves while being photographed for their official passports, RFE/RL's Kyrgyz Service and AKIpress reported. Akmatbekova added that the Justice Ministry is currently drafting new regulations reversing an earlier ban on head scarves in official identification photos. According to Jamal Frontbek-kyzy, the leader of an Islamic women's nongovernmental organization, the decision to overturn the ban was made by a special interagency commission set up earlier this year to consider the issue. Frontbek-kyzy also said that 45,000 signatures have been collected nationwide in support of the initiative. The wearing of head scarves, or hijab, is a traditional Islamic practice associated with a woman's modesty and piety. In February, the Kazakh Justice Ministry similarly abolished a ban on women photographed wearing head scarves for identification documents. (RFE/RL)

## **JAPANESE COMPANY ANNOUNCES ACQUISITION OF STAKE IN KAZAKH URANIUM MINING**

**21 August**

According to a corporate press release issued in Tokyo, unnamed officials of the Japanese Toshiba Corporation announced on August 20 the acquisition of a stake in a uranium mine in southern Kazakhstan. The acquisition gives Toshiba the right to mine up to 600 metric tons of uranium annually from the Kharasan deposit. The specific financial terms of the deal were not disclosed, but the announcement follows a recent deal whereby Toshiba agreed to sell a 10 percent stake in the U.S. nuclear-power-plant maker Westinghouse to the Kazakh state-run energy company Kazatomprom for \$540 million. That deal was part of a larger agreement between Toshiba and Kazatomprom for joint nuclear-plant construction projects involving the transfer of uranium-processing technology from Toshiba and Westinghouse to Kazakhstan. In May, Japanese Trade and Industry Minister Akira Amari announced during a visit to Kazakhstan that Japan plans to import up to 40 percent of the uranium it uses from Kazakhstan. (RFE/RL)

## **UZBEKS UNVEIL 2 NEW OIL WELLS**

**21 August**

Uzbekistan's Neft Va Gaz Quduqlarini Sinash has handed over two oil wells in the south to Muborakneftgaz and Shortonneftgaz unitary subsidiary companies. Pravda Vostoka newspaper reported Tuesday that the wells were in the southern Qashqadaryo region. "The wells daily produce 15 and 30 tons respectively. Horizontal tests were carried out in other 76 wells in the past seven months," Azamat Ergashev, deputy chairman of the joint-stock company's board of directors, told the newspaper. According to the Oil and Gas Journal, Uzbekistan has 594 million barrels of proven oil reserves, with 171 discovered oil and natural gas fields. Most of the oil fields are in the Bukhara-Khiva region, including Kokdumalak, which makes up 70 percent of production, according to the Energy Information Administration, the data arm of the U.S.

Department of Energy. Oil fields are also present in Fergana, the Ustyurt plateau and the Aral Sea. (UPI)

## **WAVE OF VIOLENCE IN AFGHANISTAN KILLS 23**

**21 August**

At least 23 people including two police officers were killed in clashes as fresh violence swept insurgency-hit Afghanistan, officials said Tuesday. Eight Taliban militants and two policemen were killed in fighting which erupted late Monday in the southern province of Ghazni where the Taliban have been holding 19 South Korean aid workers hostage for the past month, police said. The fighting in the province's Qara Bagh -- where the Korean aid workers were kidnapped on July 19 -- and Ander districts was still ongoing Tuesday, provincial police chief Alishah Ahmadzai told AFP. Two other police were seriously wounded, he said. Elsewhere in Ghazni, two Afghan civilians were killed and two injured when a landmine apparently intended for the security forces went off under their vehicle on Tuesday, Ahmadzai said. "The Taliban had planted the mine, aimed at us," the police commander said. In separate clashes between Taliban and security forces, seven militants were killed in an operation by Afghan and coalition forces in neighbouring Helmand province Monday, the defence ministry said in a statement. "Seven terrorists who had infiltrated the area to destabilise the area were killed during an operation by Afghan and coalition forces," the statement said, referring to a 10,000-strong US-led force based in the province. The operation took place in Helmand's troubled Sangin district, which has been badly hit by the insurgency. Also in Sangin, four Afghan army soldiers were injured the same day after their checkpoint came under Taliban rocket fire. Four other Taliban guerrillas were killed late Monday in the southwestern province of Farah, provincial police chief Abdul Rahman Sarjang told AFP. The unrest has so far claimed the lives of 136 soldiers from the NATO-led international force this year. (AFP)