

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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KEY ISSUE: A short 75-word statement of your conclusions about the issue or news event on which the article focuses.

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

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

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

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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> and suggest some topics on which you would like to write.

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WILL AZERBAIJANI GAS EXPORTS TO CHINA SCUTTLE THE SOUTHERN CORRIDOR?

Alexandros Petersen

Azerbaijan's ongoing dispute with Turkey about transit terms and revenues for natural gas heading to Europe across Anatolia, as well as uncertainties about the Nabucco pipeline project, have compelled highest-level officials at Azerbaijan's State Oil Company (SOCAR) to publically consider the option of exporting hydrocarbons eastward, potentially to China and other East Asian markets. However, as Baku would have to surmount significant hurdles to make that proposition a reality, it remains to be seen whether a reorientation of Azerbaijan's energy posture is in the cards, or whether this is just rhetoric to spur the development of Western-oriented projects. That said, the prospect of increased Azerbaijani gas exports to Russia and Iran supplanting westward flows should not be ruled out.

BACKGROUND: Since independence from the Soviet Union, Azerbaijan's energy policy has largely been Western-oriented. Former president Heydar Aliyev's energy and foreign policies were closely linked. Their common objective was to bolster Azerbaijan's independence and diversify its international links away from Russia and the post-Soviet space, to Western and world markets. The "Contract of the Century" to develop Azerbaijan's Caspian hydrocarbons and the construction of the Azerbaijan-Georgia-Turkey (AGT) projects, including the famed Baku-Tbilisi-Ceyhan (BTC) oil pipeline, were keystones in an energy posture that not only afforded land-locked Azerbaijan the opportunity to export its natural resources, but did so in a way that allowed Baku to garner new international partners and greater independence of action in Eurasia and on the world stage.

The logical continuation of this trend was to do with Azerbaijan's gas what had been done with its oil. The European Union's vision of a Southern Corridor for energy would link EU consumers to Azerbaijan and potentially other Caspian producers of natural gas through

Turkey and Georgia. The most discussed project of this Corridor was and is still the Nabucco gas pipeline, which would link Turkey's border with Georgia to Austria's European gas hub at Baumgarten. However, the geopolitics of gas are very different from those of oil, and power politics in Eurasia have drastically altered from those of the late 1990s when BTC was on the table.

The Southern Corridor faces a number of challenges: slow-motion progress on Nabucco due to political and commercial concerns, competition from Moscow-backed projects such as the South Stream and Nord Stream pipeline projects, and lackluster diplomatic support from the EU itself. However, the most pressing obstacle at the moment is the dispute between Baku and Ankara regarding transit revenues and gas pricing for Azerbaijani gas transiting Turkey to fill another Southern Corridor pipeline: the Turkey-Greece-Italy Interconnector.

This frustrating picture recently compelled highest-level SOCAR officials to publically air the option of exporting gas eastward, across the Caspian to China. SOCAR's President, Rovnag



(Rena Effendi)

Abdullayev, said on November 20 that Azerbaijan is seriously considering exports to China as part of the country's energy diversification strategy. This is a direct message to the Nabucco consortium and Western companies and governments involved in the development of the Southern Corridor to step up their game and achieve results, such as a coordinated strategy with Turkey, along with project financing and comprehensive and clear offers to producers such as Azerbaijan. Also speaking in mid-November, SOCAR Vice President Elshad Nassirov could not have put it more clearly: "If Europe takes too long putting together a solution, then all the gas in the Caspian will go to Asia. It's more serious than it seems".

IMPLICATIONS: The situation is undoubtedly serious, but can Azerbaijan reorient its energy strategy in the face of Western reticence? The China National Petroleum Corporation is set to finish its record-setting pipeline across Central Asia to Turkmenistan early next year, four years ahead

of Nabucco's unlikely stated completion date of 2014. At first blush, it would seem that if SOCAR concentrated its resources on building a Trans-Caspian pipeline heading eastward, it could begin exporting to Chinese consumers. However, both technical and geopolitical obstacles outweigh those facing the Southern Corridor.

First, the feat of extending China's pipeline, already set to be the longest in the world, across the Caspian,

would approach the impossible given technical restraints on the length, capacity and complexity of natural gas pipelines. The project would almost certainly not be cost-effective, especially as it would also have to include a segment across Turkmenistan. Other less likely options through Iran or Kazakhstan are even more far-fetched. Second, the ongoing dispute between Baku and Ashgabat about the Serdar/Kyapaz gas field in the Caspian rules out serious Azerbaijani-Turkmen energy cooperation until it is resolved. Finally, such a reorientation would mean that Azerbaijan would give up its strategic position in terms of Eurasia's energy geopolitics. At the moment, it stands not only as a formidable producer country, but as a gateway for the West to Kazakh oil and Turkmen and potentially Uzbek gas. That advantage would be reversed if Baku looked to Beijing.

Far more likely is the prospect of Azerbaijan increasing its gas exports to Russia and Iran in response to a sagging Southern Corridor. Russia's state-controlled gas monopoly

Gazprom has offered to import all of Azerbaijan's remaining gas reserves for Russian consumers and for further export at inflated prices to EU countries. As part of an agreement signed in June, Azerbaijan will begin to export 500 million cubic meters of gas to Russia. This is a small but symbolic amount, and the option of export increases was part of the agreement. At the same time, demand for gas has increased in Iran, even as it has ebbed in Europe due to the global economic downturn. With support from either of its large neighbors, it is likely that it would be simpler for Azerbaijan to drastically increase the capacity of North-South pipelines to Russia and Iran, rather than contribute to the Southern Corridor. Baku's decision not to do so yet has been due to diversification of links in its foreign policy as much as in its energy decisions.

These realities, as well as others suggest that SOCAR may be overplaying its hand by publically airing the prospect of gas exports to China. While progress may be slow, the dynamics of the Southern Corridor are changing rapidly. Due to two of the Nabucco consortium's companies recently investing in gas production in northern Iraq, it seems increasingly likely that the pipeline's first gas will come from the Middle East, not the Caspian region. While the plan is still to link Azerbaijan's Shah Deniz II gas into Nabucco's first phase (to fill about half of the pipeline's eventual capacity), more supplies may well be available from gas-rich northern Iraq in five years' time, and the possibility that Egyptian gas could be linked to Nabucco is increasingly gaining credence after it was first mentioned publically by Cairo this July.

Finally, while demand for natural gas in Europe is set to increase significantly in four to five

years, Caspian decision-makers should not underestimate the market-changing force of unconventional gas development, for which there are serious prospects within the EU. It is telling, for example, that ExxonMobil has chosen to invest in unconventional gas development in Hungary, but has conspicuously ignored the Eurasian pipeline game. Unconventional gas development has already drastically altered the North American market, to the point that Liquefied Natural Gas (LNG) projects globally have already been reoriented toward the European and East Asian markets. In short, while it remains supremely important for European energy diversification, Caspian gas is no longer the only game in town.

CONCLUSIONS: Unless Baku chooses to invest heavily in a complete reorientation of its energy and foreign policy, Azerbaijani natural gas exports to China do not seem a likely prospect in the near or middle term. Western decision-makers, however, should be cognizant of the relative ease with which Baku could increase energy cooperation with Russia and Iran. That said, if the Nabucco project continues its Middle Eastern reorientation and unconventional gas development in Europe picks up, Caspian gas and Azerbaijan's strategic position could become less salient for EU decision-makers. SOCAR has and should continue to have major leverage over the construction of Nabucco and the direction of the Southern Corridor, but time is not on Azerbaijan's side.

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EURASIAN IMPLICATIONS OF EU REFORMS

Richard Weitz

The entry into force of the Lisbon Treaty this month has already started to affect the foreign policy machinery of the European Union (EU). Although the incumbents selected for the new positions of president of the European Council and EU foreign policy chief were perceived as weak, their positions could accrue more influence and authority after they assume office and begin to establish precedents through their actions. Even a marginal strengthening in the EU's capacity for collective decision making could have important implications for the union's foreign policies, including toward Eurasia.

BACKGROUND: One of the treaty's priorities is to streamline and strengthen the EU's external representation. Until recently, the EU had several, sometimes competing officials representing the organization to foreign countries and other international institutions. These include the country holding the rotating presidency of the European Council, the EU Commissioner for External Relations, and the existing EU foreign policy and security chief. The presidents of the European Parliament and the European Commission, constituent parts of the EU, exert considerable influence over the organization's external economic policies but have a weaker role in foreign and defense decision making.

The Lisbon Treaty addresses this representation problem in two ways. First, it creates an independent president of the European Council, which consists of the heads of state and government from the EU member states. That individual is elected by the Council to serve a once-renewable term of 30 rather than 6 months, as is the case with the previous Council president (which is technically a member state rather than a person). Until recently, the expectation of some was that the incumbent, though not directly elected or endowed with executive powers like the American president, would be an important

European political leader—perhaps a former national prime minister like Tony Blair—whose prestige and tenure would enhance the EU's diplomatic clout.

Second, the treaty establishes a new High Representative of the Union for Foreign Affairs and Security Policy, who would also become vice president of the European Commission. This position combines the duties of the present foreign policy chief and External Relations Commissioner. The new High Representative chairs meetings of the EU foreign ministers, represents the EU at major international meetings, administers the organization's large foreign aid program, and directs a new diplomatic corps, the European External Action Service.

The treaty does not create an "EU Foreign Minister" or alter the current requirement of unanimity in foreign policy decisions, but it does allow the new High Representative to submit proposals on how to implement already agreed EU decisions.

The Lisbon treaty also expands the range of policy issues in which decisions can be made by qualified majority voting, reducing opportunities for a single country to exercise a national veto. Some of the new areas covered by qualified majority voting—migration, criminal justice, and judicial and police co-

operation—are of potential significance for homeland security and counterterrorism. Yet, the treaty has “opt-outs” and “opt-ins” mechanisms. The former allow EU members to exempt themselves from certain treaty provisions, while the opt-in function permits them to pursue “enhanced cooperation” in other areas.

IMPLICATIONS: One concern is that a strengthened EU executive could make it harder for individual member governments to defend their interests in Eurasia. For example, in 2007, the governments of Poland and Lithuania were able to delay the opening of formal talks on a new Russia-EU Partnership and Cooperation Agreement (PCA) after Moscow banned the import of their beef on alleged health grounds. This leverage required Russia to make concessions before the EU and Russia formally agreed to resume the PCA negotiations.

Yet, EU governments’ preoccupation with internal reform has sometimes distracted them from responding to Russian initiatives that impinge on EU interests in Eurasia. In addition, the weaknesses of the EU’s collective bodies have frequently made it possible for the Russian government to bypass them and deal directly with the union’s most important members bilaterally, a strategy that has proven particularly successful in influencing the Eurasian policies of France, Germany, and Italy.

For example, a stronger EU collective authority would have made it more difficult for Russia to negotiate a deal such as the August 2008 ceasefire agreement in Georgia. Although at the time France held the rotating EU presidency, French President Nicolas Sarkozy negotiated a six-point peace plan largely on his own through shuttle diplomacy between Moscow and Tbilisi.

While some of Georgia’s strongest supporters in the EU objected to the terms, many of which Russia never implemented in any case, the deal allowed Russia to avert threatened EU economic sanctions.



The Russian government has since sought to employ bilateral diplomacy with France, Germany, and other EU members to secure support for its proposed European Security Treaty that Russian policymakers hope could weaken NATO’s currently predominant role in European security affairs. The recently released Russian text would prohibit NATO members from taking “actions or activities affecting significantly security of any other Party or Parties to the Treaty.” Moscow would presumably consider offering Georgia or Ukraine a NATO Membership Action Plan a violation of this vague provision. The European

Commission has urged EU members to develop a unified position on the proposed European security pact, but Medvedev and other Russian leaders have repeatedly promoted the enterprise in their bilateral meetings with European governments.

Russian leaders have also been skillful at exploiting the distinct national energy interests of EU members to prevent European governments from confronting Moscow with a united front on energy issues. For years, EU governments have expressed concern about their growing dependence on oil and natural gas supplies from Russian sources, which include both energy supplies produced in Russia and those that enter Europe from Central Asia through Russian-controlled pipelines. They fear that Russian policy makers will seek to manipulate this dependence to try to induce changes in European policies on other issues. Yet, Russian diplomats have successfully stymied EU attempts to pressure Moscow into ratifying the EU Energy Charter, drafted by the EU in December 1991. The Charter requires Moscow to give greater freedom for foreign companies to invest in Russia's state-controlled energy sector, especially the vital pipelines that transport Russian oil and gas to Europe. Instead, the Russian government has been able to negotiate special deals with key European players to advance energy projects, such as the Nord Stream and South Stream gas pipelines, favored by Russian energy interests.

A stronger EU could also impart additional momentum to the EU's Eastern Partnership Program, an initiative to strengthen relations with many former Soviet republics, though not Russia. It represents an evolution of the EU's 2004 European Neighborhood Policy, which incongruously grouped the former Soviet bloc countries with those of the South

Mediterranean in the Middle East. In addition to boosting the financial assistance the EU provides Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine, the partnership also envisages special meetings with these countries. Although the existing EU governments do not plan to offer them membership anytime soon, they nevertheless recognize the importance of promoting prosperity and security in these countries, since any problems there could easily spill over and adversely affect their EU neighbors. The Georgia War has convinced EU leaders that they need to devote more attention to, and exercise more influence in, such a sensitive region. Russian officials have complained that the initiative seeks to weaken Moscow's influence in Eurasia. Greater coherence among its organs might also allow the EU to implement its "Strategy for a New Partnership with Central Asia," adopted by the European Council in June 2007, more effectively.

CONCLUSIONS: A strengthening of the EU's collective institutions could weaken the ability of the individual members to pursue their distinct interests in Eurasia, but it could also make the bloc a more formidable negotiating partner with Russia and a more coherent supporter of the autonomy and aspirations for east-west integration of Eurasian countries. As shown by recent Russian offers of special energy and defense deals with France, Russian leaders will likely seek to avert this transformation by continuing to seek privileged partners among EU countries.

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THE CENTRAL ASIAN POWER GRID IN DANGER?

Sébastien Peyrouse

In October and November 2009, Kazakhstan and Uzbekistan stated their desire to end their participation in the Central Asian Power System, the shared regional power grid of the Central Asian region. Long misused, this collective institution is more than ever a victim of the deteriorating relations between governments owing to the question of water management. However, without any regional structure of cooperation, the energy situation of the two most fragile states, Kyrgyzstan and Tajikistan, risks becoming further complicated during winter, leaving them exposed to hard power rationing. Some regions of Uzbekistan and of south Kazakhstan also risk incurring electricity shortages.

BACKGROUND: With the exception of northern Kazakhstan, which is connected to the Russian network, the whole of Central Asia had a collective system of electricity management, established in the Soviet period and maintained with difficulties. The Russian and Central Asian electricity networks have been reconnected since 2000, which has enabled a boost in electricity exchanges: Russia now buys cheap electricity from Kyrgyzstan and Tajikistan, and supplies its own electricity to the northern regions of Kazakhstan. However, the veritable stakes of the Central Asian Power System (CAPS) are internal to Central Asia. All the states have equal stakes in a public company based in Tashkent, the Central Asian United Dispatch Center (CA UDC), which is in charge of the maintenance of a synchronized and balanced system for the transfer and distribution of electricity for member countries. Despite this regional system, electricity transmission remains a major problem due to the absence of connection between certain regions within each country; to the energy interdependency between states, further complicated by bad bilateral relations; to considerable energy loss owing to the poor state of the lines; and to a lack of financing for the

construction of new lines or repairing of old ones.

Subject to these multiple problems, the unified Central Asian system risks disappearing. In 2003, Turkmenistan announced that it was leaving the CAPS, instead preferring to connect itself to the Iran system (Iranian Power System) and thereby to reap more substantial benefits. In Fall 2009, Kazakhstan and Uzbekistan declared that they wanted to end their participation in CAPS. On the Kazakh side, the company in charge of the national electricity network, KEGOC (Kazakhstan Electricity Grid Operating Company), has complained for several months of the illegal misappropriation of electricity by Tajikistan, which risks creating large deficits in Kazakhstan's southern regions. On the Uzbek side, CAPS is regarded as a source of interstate conflicts. The Uzbek state company, Uzbekenergo, has recalled that, henceforth, it wants to make Kyrgyzstan pay for the transit of electricity.

Kazakhstan has assured that it will maintain its commitments toward Bishkek during the winter of 2009-2010, not just as concerns the sale of electricity but equally the supply of the coal and fuel required for the Bishkek thermal

power station, one of the country's foremost. The electricity exchanges between Bishkek and Astana are relatively protected by the good relations between the two governments and are in part regulated by market mechanisms. In 2008, both countries signed an agreement according to which Kyrgyzstan would import more than 250 million kWh produced in Kazakhstan. In addition, for some years, Kyrgyzstan has been trying to export its electricity surpluses during summer, putting them up for auction to benefit from the competition. Accordingly, in 2007, Bishkek exported 200 million kWh to Kazakhstan at 1.52 cents per kWh. In summer 2009, as Uzbekistan had not signed an agreement for the purchase of Kyrgyz electricity, 540 million kWh were again exported to Kazakhstan at a price of 4.6 cents per kWh.

IMPLICATIONS: Uzbekistan's withdrawal from the CAPS, which remains to be confirmed in practice, risks raising far more severe problems. The country produces half of the electricity re-distributed by CAPS and, in addition, often refuses to play its role as a transit country. It demands high transit fees, which impedes the profitability of the established systems of exchange, as it has done, for example, since 2007 to that between Tajikistan and Turkmenistan. Not having obtained an agreement on the transit tariff – which has been kept a secret – Tashkent interrupted Turkmen deliveries in January 2009, on the grounds of an operational problem in the Karakul substation, but it refused to allow Tajik engineers to come and diagnose the problem and to help repair it. The electricity deliveries resumed in February after a meeting of the Tajik-Uzbek Commission of Economic

Cooperation, but they are still regularly suspended.

The problems caused by Uzbekistan can in part be explained by the condition of its own electricity system. With a production capacity of 11,580 MW in 2008, Tashkent is the largest energy producer in the region after Kazakhstan. However, as in the neighboring states, its entire network is deteriorating; the stations are about thirty years old and



require substantial repairs. A Reconstruction and Development Program of the electricity sector for 2001-2010 was supposed to determine the end-of-life date for the existing power stations and to construct new ones, but few changes can be observed. The country's production levels have reduced in recent years, underlining just how urgent the need is to renovate the entire system, everything from the stations to the transmission and distribution networks. In 2010, demand could even exceed production. The country is therefore having difficulties in maintaining reliable operations, and even more in developing a regional electricity market. In addition, Tashkent has broadly failed in its strategy of partial privatization of the electricity sector: between 2005 and 2007, the tenders put out by Uzbekenergo have had no takers, as foreign investors have taken fright at the Uzbek government's retroactive measures, at the high level of corruption, and at the maintenance of a low sale price policy for electricity.

Uzbekistan's attitude toward CAPS can also be explained by the currently intrinsic relationship between the electricity market and water management. The Tajik government continues to declare that it alone will construct the Rogun hydroelectric station and reservoir, and has set aside US\$190 million for the project from the 2010 budget. The Kyrgyz government, for its part, hopes to obtain the US\$1.5 billion promised by Moscow at the beginning of the year in order to construct the Kambarata station. In transforming water into a geopolitical weapon, both Bishkek and Dushanbe intend to strengthen their position in the arm wrestle against Uzbekistan. For Tashkent, the long-term objective is to retard the emancipation in energy terms of Bishkek

and Dushanbe, which are currently dependent on Uzbek gas, and to prevent itself from being weakened within the regional Central Asian game. After years of refusal, the Uzbek authorities today seem ready to envisage the construction of stations, if carried out under the international control of the UN, and perhaps hope to tip the balance in their favor in condemning the integrated electricity system, but such a game can be dangerous.

CONCLUSIONS: Energy is a geopolitical weapon that is used worldwide by many countries; the post-Soviet space is no different. However, this weapon could prove dangerous in Central Asia. The relations between Uzbekistan, on the one hand, and Kyrgyzstan and Tajikistan, on the other, are already very tense owing to the water question and they can ill afford new elements of conflict. In addition, the unprecedented energy crises into which these two states have plunged since 2007 are having drastic social consequences for the populations (a lack of heating in private and public places, closures of schools and companies, production slowdown, and export price increases), which will compound the effects of the global crisis and harm prospects of economic development.

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IS A RETURN TO THE NORTHERN CAUCASUS ON THE CARDS FOR DMITRI KOZAK?

Kevin Daniel Leahy

During his recent speech to Russia's Federal Assembly, President Dmitri Medvedev, announced that an as-yet-unnamed official would be invested with 'personal responsibility' for the Northern Caucasus sometime in the near future. Naturally, there has been some speculation as to whom the president might choose to discharge this onerous duty. One possible candidate is Dmitri Kozak, a man with considerable experience of the region and its complexities. Kozak has some interesting ideas on how the economic situation in the Northern Caucasus might be improved – ideas that might well appeal to a president convinced of the utility of innovation.

BACKGROUND: On November 11, President Dmitri Medvedev delivered his annual address to Russia's Federal Assembly. During his speech, the president devoted a considerable amount of time to addressing the deteriorating security situation in the Northern Caucasus. The state of affairs in this particular region, Medvedev declared, is Russia's 'most serious, domestic political problem'. The president went on to identify corruption, 'cronyism', as well as the region's underperforming economy as primary reasons why the federal government has thus far failed to stabilize the situation there.

This portion of Medvedev's speech was noteworthy for its candour, if not for the originality of its content. The President spoke frankly about the misappropriation of federal funding by corrupt local officials; he mentioned the chronic levels of unemployment in Chechnya and Ingushetia; he referred to the plight of the many thousands of internally displaced persons (IDPs) throughout the region. Among the solutions for correcting these disagreeable regional phenomena, the president cited the need to create a more favourable investment climate in the region; greater economic investment in local economies

(from both public and private sources); the need for more local entrepreneurship; and the vital need for a higher quality of education for the young people of the region.

Medvedev also announced his intention to nominate a state official who would be entrusted with 'personal responsibility' for overseeing the situation in the Northern Caucasus. While President Medvedev is perhaps to be commended for offering a sober-minded analysis of the situation in the Northern Caucasus, this is not the first time a high-ranking Russian official has presented such an analysis; nor is there anything original in Medvedev's recommendations for curing the region's various social, political and economic ills.

In the summer of 2004, Dmitri Kozak, the newly-appointed presidential representative to the Southern Federal District (YuFO) presented a report to then-President Vladimir Putin which identified a 'systemic crisis of government' in the Northern Caucasus. According to Kozak's findings, this 'systemic crisis' had arisen as a direct result of the participation of 'corporate clan associations' in local government (the political embodiment of the 'cronyism' Medvedev referred to on

November 11). Unsurprisingly, the region's dismal economic situation was flagged as a cause for concern. Kozak also predicted a 'sharp growth' in 'radicalism and extremism' and correctly singled out Dagestan as a republic in danger of becoming seriously destabilised in the near future.

Broadly speaking, the contents of the 2005

'Kozak Report' and the remarks made by Medvedev concerning the Northern Caucasus on November 11 are remarkably congruent. This apparent congruency may well be a prelude to a new collaboration between Medvedev and Kozak directed at solving, or at least alleviating, the difficult situation in the Northern Caucasus.



Dmitri Kozak (Vasiliy Deryugin/Kommersant)

IMPLICATIONS: Medvedev's insistence that there must be 'a single individual who will be personally responsible for the situation in the region' appears rather specious given that such an individual is already in situ – Medvedev's plenipotentiary representative to YuFO, Vladimir Ustinov. Does this initiative therefore herald the departure of the plenipotentiary institution, or Ustinov personally, or both? Medvedev took care to mention that the person he had in mind for this responsibility would have to be 'someone with enough authority to effectively coordinate work in this area'. In other words, Medvedev requires someone with the resolve and resourcefulness to successfully tackle the outstanding problems in the region. His pointed reference to 'someone with enough authority' implies that Medvedev is also seeking a candidate both willing and able to stand up to the most powerful political actor native to the region: the influential president of Chechnya, Ramzan Kadyrov.

Given that Medvedev foresees his appointee overseeing the Northern Caucasus specifically, it seems doubtful that he would dispense entirely with the format of the plenipotentiary office as it has evolved in the southern federal district over the past nine and a half years. For example, it is unlikely that he would abolish the plenipotentiary office and place responsibility for the Northern Caucasus under the remit of the Ministry for Regional Affairs. Instead, it is probable that Medvedev will replace Ustinov with a 'new broom' and simply re-brand the plenipotentiary office (as 'The Ministry for North Caucasian Affairs' perhaps), possibly even surrendering his immediate purview over this 'new' institution to the federal government. Such a cosmetic overhaul would certainly be less costly than setting up a new administrative organ from scratch, a not insignificant consideration for decision makers in light of prevailing economic circumstances. But who does Medvedev have in mind to occupy this challenging post? Dmitri Kozak, currently a deputy prime minister in the Russian government, is the probably the most viable candidate.

As a former plenipotentiary representative to YuFO, Kozak is extremely well-versed in the complex interplay of politics, economics, culture and society in the Northern Caucasus. It should also be noted that Kozak's tenure was distinguished by the sometimes confrontational relationship he enjoyed with Ramzan Kadyrov.

However, his experience and his sceptical attitude toward Kadyrov are not the only qualities that commend Kozak for this post. He is also a man of ideas, and has clearly not lost touch with the situation in the Northern

Caucasus. This was demonstrated this past September when Kozak upbraided the governments of the region for failing to reduce their economic dependency on the federal budget. 'This is impermissible,' he insisted, 'especially in this period, which is not simple from an economic point of view.'

CONCLUSIONS: For many years, Kozak has ploughed a lone political furrow by insisting that the method by which federal subsidies are disbursed to governments in the Northern Caucasus (and governments in other regions) is wholly unviable. Kozak has proposed an incentivized program of federal subsidization whereby regional leaders who consistently display good budgetary responsibility and economic innovation would receive significantly more federal investment in their jurisdictions than leaders who are profligate with their budgetary allowance. Against a backdrop of economic recession, these ideas, based on a code of fiscal prudence at both national and regional levels, might be expected to find traction with Medvedev and his advisors. Kozak is by no means the sole candidate for this post; perhaps a half dozen other politicians have been mentioned alongside him as possible appointees to this new post. He is, however, the only credible candidate mooted that possesses previous experience of managing a post with such wide-ranging responsibilities. He is also the only candidate who has put forth ideas of substance on how best to tackle the situation in the Northern Caucasus.

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FIELD REPORTS

OSCE MINISTERIAL COUNCIL PROVIDES NEW IMPETUS FOR NAGORNO-KARABAKH NEGOTIATIONS

Haroutiun Khachatryan

On December 1-3, the seventeenth Ministerial Council of the OSCE was held in Athens, with the issue of Nagorno-Karabakh settlement as one of the principal points on the agenda. Despite many efforts by the leaders of Armenia and Azerbaijan, as well as international mediators in the form of the OSCE Minsk group, the problem still seems far from a solution. The conflicting parties have not displayed any visible progress in reconciling their views about the Basic Principles for a Peaceful Settlement of the Nagorno-Karabakh conflict, proposed in Madrid in November, 2007. Nevertheless, each of the numerous meetings between their leaders, including the latest one held on November 27 in Munich, have been followed by optimistic statements about “progress”.

At the Athens ministerial, the OSCE was more successful in pushing the process further ahead. In particular, the three co-chairs of the OSCE Minsk group represented by foreign ministers Sergei Lavrov and Bernard Kouchner, and U.S. Deputy Secretary of State James Steinberg succeeded on December 1 to issue a five-party statement, joined also by the foreign ministers of Armenia and Azerbaijan, Edward Nalbandian and Elmar Mamedyarov.

According to the document, the co-chairs reiterate their commitment expressed in the Joint Statement issued by the three presidents on the Nagorno-Karabakh conflict at the L’Aquila Summit of the Eight on July 10, to support the leaders of Armenia and Azerbaijan as they complete the work on the Basic Principles. The co-chairs also urged that the parties complete this work as soon as possible, expecting that an agreement on the Basic Principles

will provide the framework for a comprehensive settlement to promote future peace, stability, and prosperity for the entire region, the Statement read.

According to the Statement, the five Heads of the delegation “noted the positive dynamic in the talks, demonstrated through six meetings this year between the Presidents of Armenia and Azerbaijan.”

At first glance, this Statement may seem an insignificant document, possibly even an attempt by the OSCE to save face. However, along with the usual encouraging and optimistic phrases, the document contains a formula of importance for the stability of the South Caucasus region. For the first time, Azerbaijan put its signature under the following lines: “The Ministers reaffirmed their commitment ... to reach an agreement based, in particular, upon the principles of the Helsinki Final Act of Non-Use of Force or Threat of Force...” This is in striking contrast to the previous statements by Azerbaijani officials, the latest by President Ilham Aliyev at the Munich summit, that Azerbaijan could use force to resolve the Nagorno-Karabakh problem if the negotiations fail to yield results. This part of the Statement of the Five was repeated also in a special statement of OSCE as a whole on December 3, which is the first document on behalf of the 56-member organization about the Nagorno-Karabakh conflict since the Budapest summit of the CSCE in 1994 (OSCE and its predecessor CSCE adopt documents by consensus, and Armenia and Azerbaijan have not agreed on a single document since then).

An important aspect of the Karabakh problem is its relationship with the normalization of Armenian-

Turkish relations. Both Azerbaijan and Turkey seek to link this process to the Karabakh issue, implying progress in the latter may be a precondition for the ratification of the Turkish-Armenian protocols in the Turkish Parliament. Meanwhile, representatives of the co-chairs stress that these two processes are independent, although they recognize that progress in one of them would also help progress in the other. The most recent example of this type of assessments was the letter of President Obama to a group of Armenian American organizations

(publicized on December 7 by the Armenian Assembly of America), in which the U.S. President said: “normalization between Armenia and Turkey should move forward without preconditions.”

The documents adopted at OSCE Ministerial Council constituted a step forward for the Minsk process. The three co-chairs of the OSCE Minsk group are expected to arrive in Armenia and Azerbaijan later this month to present new proposals for the progress of the negotiation process.

SHARP RISE IN ELECTRICITY AND HEATING RATES CAUSE PUBLIC DISCONTENT IN KYRGYZSTAN

Joldosh Osmonov

The dramatic rise of prices for public utilities as electricity, heating and hot water supply has been a cause of heated discussions in Kyrgyzstan. The new government seems firm on the decision to increase rates despite a decidedly negative reaction from the masses.

On November 12, the Kyrgyz government approved multiple price increases for electricity, heating and hot water supply. Starting January 1, 2010, all customers will have to pay 1.5 soms (US\$1 equals 43 soms) per kilowatt hour of electricity, which is twice the current price (0.7 soms). In July 2010 the utility rate will reach 1.9 soms. Heating and hot water supply seem even more problematic, as rates for these utilities are expected to increase by 5-10 times.

This is not the first time the government has sought to increase the rates for public utilities. In 2007, the Kyrgyz government introduced a medium-term tariff policy according to which prices for public utilities would increase by 12 percent every 6 months over the next five years. However, these initiatives were taken only on paper. The reasons for the previous failure were mostly political, such as the protracted political instability after Kurmanbek Bakiev’s accession to power, or the

latest presidential elections. Kyrgyz authorities fearing public discontent kept postponing the price rise until “better times”. It now seems that these “better times” have come.

The government’s decision has caused wide public resentment. With the envisioned price increase for public utilities, most of an average family’s income will be spent for these payments. According to Natalya Abloba, Director of the Bureau on Human Rights in Kyrgyzstan, 70-80 percent of Kyrgyz citizens are vulnerable to poverty in face of the price increases.

The so called “shock therapy” was initiated by the new Prime Minister Daniyar Usenov, who has termed it a necessary measure, as a failure to introduce new utility prices would lead to a disaster in the energy sector. Usenov also informed that the most vulnerable parts of the population will be compensated and that around 1.5 billion soms (almost US\$35 million) will be allocated for this purpose. However, doubts remain whether these small compensations will solve the problem. For instance, the compensation for such vulnerable categories of citizens as teachers and doctors will amount to 200 soms (US\$4.50), which will

obviously cover a very small part of the new utility fees.

Dozens of pensioners recently organized a demonstration in Bishkek protesting against the new tariffs and demanding that the newly-appointed Prime Minister resigns. Usenov, however, stays firm in his position despite public resentment. Political expert Alexander Knyazev thinks Usenov was chosen as a scapegoat for Bakiev's unpopular reforms. Usenov's previous loud statements and radical decisions have made him an unpopular figure among the public.

In justification of the initiative, Energy Minister Ilyas Davydov has explained that rates for utilities must be increased, since current prices do not meet production costs. According to Davydov, the current production cost for one kilowatt hour of electricity in Bishkek's Combined Heating and Power Plant (CHPP) is 3.36 soms, while it is sold for 0.71 soms. "The production cost for one gigacalorie of heating energy is 2,500 soms, but at this moment we sell it for 500 soms. How we can talk about energy system development and modernization of infrastructure if prices do not cover production costs?" Davydov concluded.

While many realize that the Kyrgyz government must reform domestic electricity and heating rates in order to avoid a collapse of the energy sector, the sharp price increases envisioned remain puzzling to the public.

Most opposition leaders are critical of the new prices, which they consider too high and ungrounded. Opposition leader Bakyt Beshimov accuses the Kyrgyz authorities for the energy crisis the country is facing, and claims the main reason for the price increase is ineffective management. According to Beshimov, the energy sector is one of the most corrupt sectors in the country and it is therefore questionable whether the high prices will solve any problems.

Another opposition figure, Omurbek Tekebaev, stated in an interview to Azzatyk news agency that the tariff increase is a first step toward the privatization of Kyrgyzstan's energy sector through making it self-sustainable, which he says has been recommended by the World Bank. The Kyrgyz government accepted the World Bank's conditions in return for additional loans and grants. It is notable that a week before the government's decision to raise the prices, the World Bank approved a list of grants and loans amounting to US\$34 million. However, on November 16 the World Bank issued a statement refuting the allegations.

It seems that the Kyrgyz government has serious intentions this time. It could, however, do a better job explaining and promoting its decision to the public. It remains unclear how the initiative will be carried out in the face of public resentment.

GEORGIAN GOVERNMENT AND OPPOSITION FAIL TO AGREE ON ELECTORAL CODE

Maka Gurgenidze

Despite loud objections from several opposition parties over the threshold for the Tbilisi mayor elections, the Georgian parliament approved the amendments to the electoral code in a first hearing last week.

The draft amendments to the law on local elections, making the mayor of Tbilisi directly elected, will undergo second and third hearings in parliament this month. However, the draft amendments have been the subject of heated debate since early this year.

Eight parties (the United National Movement, the Christian Democrats, the Democratic Party, On Our Own, Georgian Troupe, the National-Democratic Party, the Labor Party and the Industrialists) signed the "Code of Conduct for Political Parties Willing to Participate in the Election Legislation Working Group" in February 2009, with the facilitation of the U.S. National Democratic Institute. Adhering to the principles of the Code of Conduct, the inter-party group started the work to reform the election code. The Alliance for Georgia (uniting the New Rights, Republican and Our Georgia-Free Democrats parties) joined the working group in September with proposals endorsed by four other opposition parties not participating in the meetings. The proposals sparked disagreement mainly between Alliance for Georgia and the ruling UNM on the threshold for Tbilisi's mayoral elections. The UNM initially envisaged no threshold for the competitors, meaning the candidate garnering most votes would win without a runoff. Contesting this rule, Alliance for Georgia proposed a 50 percent threshold, which was later lowered to 45 percent with a second round if no candidate clears the threshold in the first round. The UNM eventually agreed on a 30 percent threshold, which proved unacceptable to the opposition. The UNM refused further concessions, bringing the talks to a deadlock.

Although initially agreed proposals should have been voted through as one package, the standstill in negotiations poses a risk to the whole progress achieved within the inter-party work group. The parliament is thus more likely to vote on the agreed proposals separately.

These proposals include amendments to the election law for the Tbilisi City Council (Sakrebulo). Under the draft amendments, the number of Council member will increase from 37 to 50 members, 25 of which (instead of 12) will be elected through a majoritarian and 25 through a proportional system from the party lists clearing the 4% threshold.

Another change concerns to the divisions of electoral constituencies. 10 electoral districts will be divided into 25 single-mandate sub-districts. The

candidate with most votes wins each sub-district. The draft amendment also modifies the law on electing the chairman of the 13-member Central Election Commission (CEC). The President will nominate three potential candidates for the position of CEC chairman and the CEC's opposition members should choose one of them. If they fail, the Parliament selects one among three candidates.

However, the threshold level of the mayor election is far more important to both the ruling party and the (mostly non-parliamentary) opposition parties. The opposition parties argue that the 30 percent threshold is favorable to the ruling party's candidate since those votes will be concentrated to one particular person (most likely to the President's ally and current incumbent Tbilisi mayor Gigi Ugulava), while votes for the opposition will be split among several candidates. A high threshold and a "second round tactic" would therefore make a victory of the ruling party's candidate in the first round more difficult, even if he garners more votes than his competitors.

Meanwhile, the first round will enable the opposition to determine their highest rating candidate and will increase their chances to win the second round through uniting around him or her. Such deliberations indicate that while opposition parties realize the benefits of agreeing on a common candidate for the Tbilisi mayor elections, they consider a two-round competition strategy the only possibility to do so.

President Saakashvili criticizes this strategy and accuses the opposition of intending to grab the Tbilisi mayor post in order to position themselves for the next presidential elections, rather than to deal with Tbilisi's communal issues. While this may well be true, Saakashvili himself used a similar strategy as head of the Tbilisi Council in 2002. Aware of the political importance of mayor posts, Saakashvili did not implement the promise made at the UN General Assembly in September to introduce direct elections of the mayors of four other key cities. He has also expressed doubts on the appropriateness of direct elections for Tbilisi's mayor. On the other hand, by urging two-round

mayor elections, the opposition parties indirectly acknowledge that none of the opposition candidates might be stronger than the one supported by the ruling party.

To agree on a common opposition candidate, some of the opposition parties recently announced that a primary should be conducted, though it is not yet clear which parties will take part in it. They have so far not been able to offer a common candidate to

their supporters. In addition, the opposition parties need to consider that the current political context requires more refined means to win the battle than was the case in 2002. In this regard, an alternative program for meeting the city residents' social demands should be brought into focus instead of merely viewing the mayor post as bridgehead for higher political ambitions.

TOUGH INTERNATIONAL REACTIONS TO ARRESTED AZERBAIJANI BLOGGERS

Mina Muradova

The recent charges against two youth leaders and bloggers provoked international concerns over the freedom of speech in oil-rich Azerbaijan. Observers considered the court decision to be politically motivated and aimed at censoring young activists critical of the government.

A Baku court sentenced 26-year-old Adnan Hajizade, a co-founder of the OL (To Be) youth movement, and 30-year-old Emin Milli, a co-founder of the online Alumni Network, to prison on November 11. Hajizade was sentenced to two years' imprisonment while his co-defendant Milli was given a sentence of two and a half years.

The two bloggers were arrested after being assaulted by three men in a Baku restaurant on July 8 on charges of attacking their assailants, and later convicted of hooliganism and inflicting bodily harm after allegedly attacking two men.

Hajizade claimed that he suffered injuries to his head, face and that his t-shirt was completely covered in blood. He also stated in court hearings that Milli's leg was covered in blood after the incident. However, they were not provided with medical assistance.

Milli and Hajizade are both western-educated young activist bloggers who turned critical of the Azerbaijani government. Their blogs dealt with the

country's democratization, education and corruption, and called on young people to be active in Azerbaijan's public processes.

Prior to their arrest, they posted a political video clip on YouTube, displaying satirical criticism of government policies and social issues. A donkey, played by Hajizade, is holding a press conference at which he describes Azerbaijan's positive attitude to donkeys. Journalists in the clip address the donkey as "Esel ["donkey" in German] Heinz," which when pronounced sounds similar to Azerbaijani for "Mr. President." Azerbaijani authorities, however, insist that Milli and Hajizade were sentenced on a strictly criminal charge.

Following the verdict, the U.S. State Department termed the verdict "a step backwards for Azerbaijan's progress towards democratic reform". "The non-transparent investigation, closed court hearings, disproportionate legal charges, and failure to detain and charge the assailants have raised concerns about the independence of the police and the judiciary as well as about restrictions on freedom of expression in Azerbaijan," the statement affirmed.

On November 25, the defendants' lawyers filed an appeal against the court decision. Observers see the forthcoming appeals hearing as an opportunity for

Azerbaijan's authorities to soften the verdict through transforming it to a suspended sentence or community service. However the lawyers have in parallel started to prepare documents for an appeal to the European Court of Human Rights.

A senior official from the OSCE Office for Democratic Institutions and Human Rights (ODIHR) has urged the authorities of Azerbaijan to fully apply the fair trial standards during the appeals process. The acting head of ODIHR's human rights department, Assia Ivantcheva, recently visited Milli and Hajizade and had no complaints about the conditions in the recently built detention centre where they are held.

Observers said that the conviction provides a clear message on the cost of engaging in democratic debate and expressing alternative opinions in Azerbaijan. While Azerbaijan is among the OSCE countries with the largest number of imprisoned journalists, it is also leading in the development of the blogosphere among the South Caucasus states. Online media has become an important space for the freedom of expression in Azerbaijan due to restrictions on media, in particular on independent television broadcasting.

The bloggers' case was ignored by the six national TV channels, while independent print media reported on it without access to the trial. Only the correspondents of BBC Radio, Azadliq Radio (the Azerbaijani Service of Radio Liberty), the independent Turan news agency and some

representatives of international organizations were able to attend the court hearings.

News on the proceedings of each court hearing were spread mainly through internet sources and shared through Facebook, Twitter and other online networks. As soon as Milli and Hajizade were detained, online publications about the case and campaigns for the protection of their rights turned the two bloggers into heroes.

Some observers believe the Azerbaijani authorities seek to prevent the opposition from making use of the Internet as a campaigning tool in the run-up to next year's parliamentary elections. Blogs and social networking websites have become very popular among young Azerbaijanis, and the events do not seem to have altered this trend. The fear appearing among other bloggers immediately after the arrests rapidly changed into a huge interest in blogging and online media.

International organizations and Western governments have pressured Azerbaijan on the case, lobbying for the two bloggers at the highest levels of government. However, Azerbaijani authorities seem to believe they can ignore international pressure because of the country's energy wealth and its strategic partnership with the West in the war on terror. The President of Azerbaijan has repeatedly stated that the country carries out its own domestic policy and that international organizations have no right to interfere with domestic issues.



New Book:

The Guns of August 2008

Edited By Svante E. Cornell and S. Frederick Starr

M.E. Sharpe, New York, June 2009,
290pp

This book is designed to present the facts about the events of August 2008 along with comprehensive coverage of the background to those events. It brings together a wealth of expertise on the South Caucasus and Russian foreign policy, with contributions by Russian, Georgian, European, and American experts on the region.

NEWS DIGEST

EIGHT BOMBS DEFUSED ON BORDER BETWEEN DAGESTAN AND CHECHNYA

29 November

Law enforcers discovered and neutralized eight booby traps during preventive efforts conducted on the administrative border between the republics of Dagestan and Chechnya on November 27-29, the press service of the Dagestani Interior Ministry told Interfax on Sunday. The press service said the efforts were conducted by the Dagestani police together with operatives and Interior Troops. "During the operation eight booby traps planted in the routes of operative and search teams were discovered and defused. One serviceman was slightly wounded in the process," a ministry spokesman said. (Interfax)

UZBEKISTAN WITHDRAWING FROM REGIONAL POWER GRID

1 December

Uzbekistan today is expected to officially leave the Soviet-era regional power grid that unites the country with its three Central Asian neighbors. The move could leave Uzbekistan's impoverished neighbors, Kyrgyzstan and Tajikistan, facing severe electricity shortages during the winter months. Khusrav Ghoibov, a top official at the Tajik Foreign Ministry, criticized Uzbekistan's decision as an effort to put pressure on neighbors. "We view the move as a political step by our neighboring country," Ghoibov said. "Needless to say, each sovereign country has the right to participate in intergovernmental treaties or stop its participation. However, international norms in modern days would not support it if such political decisions harm another country's interests." Uzbekistan's geographic location has made it one of the most important members of the unified system, as many regions in Kyrgyzstan and Tajikistan are supplied with electricity through power lines crossing Uzbek territory. Kyrgyzstan depends on lines traversing Uzbekistan to supply electricity from its Jalalabad Province to its Osh and Batkent regions. Both

Kyrgyzstan and Tajikistan import Uzbek electricity during the winter. To ease crippling energy shortages during winter, Tajikistan depends on 1.2 billion kilowatt hours of Turkmen electricity delivered through Uzbekistan. Tajikistan does not share a common border with Turkmenistan, and Tashkent's withdrawal from the regional grid will cut off the cash-strapped country from its vital electricity supplier. Uzbek officials have criticized the regional grid as an "outdated and unreliable" union that caused problems and disagreements among its members. Esso Sadullaev, a high-ranking official at the state-owned electricity company, Uzbekenergo, has told news agencies that the unified power system "is becoming a source of conflict among member countries." Last month, Kazakhstan accused Tajikistan of stealing electricity from the unified system and threatened to leave the regional grid. Officials in Dushanbe deny the accusation.

Uzbek officials say Tashkent's participation in the regional system endangers the flow of electricity to its domestic consumers. In recent years, Tashkent has invested over \$1 billion to update its power supply system and end its dependency on neighbors to deliver electricity to Uzbekistan's southern areas. Uzbekistan's Husar-Surkhan power line, which transfers electricity to Surkhandarya Province, was due to be launched today. The Uzbek province has so far relied on the Tajik branch of the regional power grid for power. (RFE/RL)

GEORGIAN CITIZEN DETAINED IN S. OSSETIA HANDED OVER TO GEORGIA

1 December

Georgian citizen Ramaz Makasarashvili, who has recently been detained by Russian Federal Security Service officials in South Ossetia, has been handed over to Georgia. "Ramaz Makasarashvili has been handed over to Georgian officials today, on December 1," the South Ossetian State Security Committee reported. Makasarashvili, 46, was detained in the village of Perevi, Dzhav region of

South Ossetia, on November 29, 2009 for failing to obey an order by border guards to stop. The Georgian media reported earlier, citing Nodar Abdzhandadze, the head of the administration of the Sachkheri district, that Makasarashvili works as a bus driver and has driven buses between the villages of Dzhoria and Perevi over the past year. (Interfax)

TURKEY TO ALLOW GAS TRANSIT TO EUROPE FROM ANY COUNTRY

3 December

Turkey will allow gas transit to Europe from any country, including Iran, Turkish Minister of Energy Taner Yildiz said here on Thursday, the CNN Turk TV channel reports. "The main direction of our policy consisting in the diversification of energy sources and transit routes will be put into effect along the same line," Yildiz said. He replied in this way to Richard Morningstar, U.S. special representative for energy problems in Eurasia, who said that in the current situation Iran could not take part in the implementation of new energy projects. Washington stated before that the United States was against the transportation of Iranian gas to Europe across the Turkish territory until U.S. relations with Teheran were normalized and until the problem of the Iranian nuclear programme was settled. "It is Iran that makes decisions on gas transportation from Iran, while Turkey makes decisions connected with gas transportation by its territory. We shall permit the transit of any gas," Yildiz said. He made it clear that he regarded Iranian gas as an important energy source for a number of energy projects, including for the Nabucco gas pipeline. Previously the United States expressed concern on many occasions over close relations between Iran and Turkey, which, aside from other things, is the key partner of the United States in that region within the framework of NATO. According to official statements, however, Ankara rules out a possibility of giving up its strategic cooperation with Iran in favour of supporting American interests. (Itar-Tass)

KARZAI SAYS TO FIGHT CORRUPTION, URGES PATIENCE

6 December

Afghan President Hamid Karzai has called for patience if his government could not meet a 2011 deadline for assuming responsibility for Afghan security while pledging to meet demands to fight corruption in Kabul. U.S. President Barack Obama

announced last week he would send another 30,000 troops to Afghanistan but would begin bringing them home in 18 months and start handing off responsibilities to Afghan forces. "Afghanistan welcomes this new strategy, and Afghanistan will do all it can to be a good partner in it," Karzai told CNN, according to a transcript released by the network. Karzai said the Afghans would try their best to take over security of the country within the U.S. timetable. "But the international community must have also the patience with us and the realization of the realities in Afghanistan. If it takes longer, then they must be with us," he said. Karzai said he hoped Afghans would be able to lead security operations in many areas of the country within two years. "By the end of five years term of - of the current government, we plan to lead operations for the security of the Afghan people in all of Afghanistan, in the whole country. That is our objective," he said. Obama, who faces criticism from his fellow Democrats and opposition Republicans about the troop decision, put pressure on Karzai to root out corruption in his administration. The U.S. president said in a televised speech on December 1 that the day of providing a "blank check" to Kabul were over. Karzai said he was addressing the problem, but accused some allies, which he did not name, of overemphasizing the issue. "The issue of corruption has been politically overplayed by some of our partners in the international community," he said. "If and when at any time there is an occasion where we need to act on corruption with ministers, with officials, with anybody, we will do that," he said. Asked whether he planned to fire corrupt officials, Karzai said, "I have fired people, and I will be firing people, yes." (Reuters)

ARMENIA AGREES ON AZERBAIJAN'S TERRITORIAL INTEGRITY

6 December

The Armenian National Congress blamed Yerevan for recognizing Azerbaijan's territorial integrity. Referring to previously adopted declarations by OSCE foreign ministers on the issue, the National Congress said that Karabakh conflict could only be resolved through the principles of territorial integrity, non-use of force and the right of nations for self-determination. In a statement, the Congress said that principles of self-determination and territorial integrity could be realized only within the framework of Azerbaijan's territorial integrity, which means that Armenia for the first time gives

official consent for dispute resolution on the basis of Azerbaijan's territorial integrity.
(Turkishpress.com)

TURKEY SAYS NO MORE TROOPS FOR AFGHANISTAN

6 December

Turkish Prime Minister Tayyip Erdogan, who left for the United States today to meet President Barack Obama, said Turkey would not contribute additional troops to Afghanistan. Erdogan's trip comes at a time when Turkey's deepening ties with fellow Muslim countries has fed perceptions that the NATO member is turning away from its traditional western allies. Obama last week announced he was sending 30,000 more U.S. soldiers to Afghanistan, and Washington wants others to follow suit. "Turkey has already done what it can do by boosting its contingent of soldiers there to 1,750 from around 700 without being asked," said Erdogan before his departure in Istanbul. Turkey's soldiers are not engaged in combat operations and Ankara has long resisted pressure from Washington to offer more combat troops. Erdogan said Turkey would continue its training of Afghan security forces. The prime minister also said he would discuss other regional issues such as Iraq and the Middle East with the U.S. president. Last month, Erdogan visited Tehran to sign gas and trade deals and hosted Iranian President Mahmud Ahmadinejad at a summit of Islamic countries in Istanbul. Turkey has also boosted ties with Syria with plans for joint military exercises. (Reuters)

NATO DENIES CIVILIANS KILLED IN AFGHAN ATTACK

6 December

The NATO-led force has denied it had killed any civilians in an operation in eastern Afghanistan, but a provincial official said 12 people, probably civilians, had been killed in the attack. A statement from the NATO-led force said a joint Afghan-NATO force killed seven militants and detained four in Laghman Province, northeast of Kabul, while pursuing a Taliban militant responsible for suicide attacks in the area. "We are aware of civilian casualty allegations, however there are no operational reports to substantiate those claims of harming civilians, including women and children during this operation," spokeswoman navy Captain Jane Campbell said. The statement said the joint force came under "hostile fire from multiple positions and returned fire" in Armul village, in

Mehtar Lam district.

"The joint force searched the compound without further incident and recovered multiple AK-47 rifles." The spokesman for Laghman's governor, Sayed Ahmad Safi, said 12 people in four houses were killed during the operation. "We have launched an investigation to find out how many of them were civilians and how many were Taliban," he said. "It looks like all of them may have been civilians, including women." Civilian casualties caused by Western forces have stoked anger towards foreign troops, which NATO commander U.S. General Stanley McChrystal says undermines his mission. The issue has been a major source of friction between President Hamid Karzai and foreign troops. Since taking over command in June, McChrystal issued new orders designed to reduce civilian deaths by placing limits on the use of air power. Some Afghans are concerned that the influx of 30,000 more U.S. troops ordered by U.S. President Barack Obama last week will result in more attacks and higher civilian casualties. A NATO air strike in September, ordered by German forces near the northern Afghan city of Konduz, killed 30 civilians as well as insurgents, according to the Afghan government. Germany's defense minister at the time of the attack was forced to resign from the cabinet last month over accusations he covered up the civilian toll of the controversial strike. The head of Germany's armed forces also quit over the incident. (Reuters)

KABUL MAYOR CONVICTED OF CORRUPTION

7 December

Afghan officials say the mayor of Kabul has been convicted of corruption and sentenced to four years in jail. Deputy Attorney-General Fazal Ahmad Faqiryar told RFE/RL's Radio Free Afghanistan that Mir Abdul Ahad Sahebi, who was not in court for today's verdict, was fired from his position and a warrant has been issued for his arrest. It's the first such high-profile conviction since President Hamid Karzai promised to crack down on corruption as he began a new term in office last month. The United States and other countries with forces in Afghanistan have urged Karzai to end corruption, which is seen as fueling the Taliban insurgency. Locals say corruption is a fact of everyday life, from bribes demanded by police and minor officials to multimillion-dollar kickbacks siphoned from international aid. Faqiryar said today's verdict was the result of a two-month-old corruption case, in

which Sahebi was accused of breaking the law while granting a contract. The mayor of Kabul is considered a very powerful and lucrative post because of his powers to grant big contracts and prime property in the capital. In an interview with the "Christian Science Monitor" newspaper last month, Sahebi argued that the magnitude of corruption in Afghanistan was overblown. "I am searching around to find one person [working for the city] who is taking a bribe, but I don't see it," he said. "This latest propaganda about corruption, I personally believe not 2 percent of it is actual facts or figures." Deputy Attorney-General Faqiryar said he hoped the conviction would underscore the authorities' resolve to fight graft.

"There is no doubt that this constitutes the serious steps we are taking. It shows that it has effective and positive affects on the society," Faqiryar said. "It also shows the effectiveness of our struggle." (RFE/RL)

KAZAKH COMPANIES TO SHIFT FROM U.K., GOVERNOR SAYS, FT REPORTS 7 December

Kazakh companies plan to move part of their fundraising away from London because U.K. investors failed to stand by Kazakhstan during the financial crisis, the country's central bank governor Grigory Marchenko said, the Financial Times reported. Companies from Kazakhstan would now look to the Middle East and Hong Kong as well as London when raising money, meaning London's share of future fundraisings will fall from about 90 percent before the crisis to perhaps 50 percent, Marchenko said in an interview, according to the newspaper. Kazakhstan will avoid registering a recession for 2009 due to a recovery in commodity prices and the government's \$19 billion support package for 2008-9, Marchenko also said, the FT reported. (Bloomberg)

KABUL MAYOR, CONVICTED OF GRAFT, GIVES PRESSER DESPITE ORDER FOR ARREST 8 December

Kabul's mayor has given a press conference at his office -- despite an order being issued for his arrest following his conviction for corruption, RFE/RL's Radio Free Afghanistan reports. On December 7, judicial officials said a court in the Afghan capital sentenced Mir Abdul Ahad Sahebi to four years in prison for corruption in connection with contracts on city projects, and fired him from his position.

But Sahebi told journalists at his office today he was innocent and that he had been the victim of a conspiracy by his rivals. "I demand that a just review of my whole case be done by those who know the laws and regulations of this country," Sahebi said. "They should reassess my file. I can say that no one in my office has committed any crime."

Unconfirmed reports said Sahebi was briefly detained on the night of December 7 but released just a short while later. It's unclear if the arrest order is still out on Sahebi or whether he has been reinstated in his position. Deputy Attorney General Enayat Kamal told RFE/RL's Radio Free Afghanistan today it was his understanding Sahebi was no longer mayor. "After the decision of the court, he is not mayor of Kabul and he should be arrested and put in prison," Kamal said. Asked why Sahebi was not, as of today, in prison, Kamal declined to elaborate. Sahebi's sentencing was the first such high-profile conviction since President Hamid Karzai promised to crack down on corruption as he began a new term in office last month. The United States and other countries with forces in Afghanistan have urged Karzai to end corruption, which is seen as fueling the Taliban insurgency. (RFE/RL)

KYRGYZSTAN'S LARGEST HYDROPOWER STATION HIT BY SHUTDOWN 8 December

Mechanical problems at Kyrgyzstan's Toktogul hydropower station early today caused two of its four major power generators to shut down, RFE/RL's Kyrgyz Service reports. No casualties or significant damage to the station were reported. Maintenance crews are working to restore the downed generators. The Kyrgyz Energy Ministry said the shutdown of the generators will not affect the electricity supply in the country and that the problem should be fixed by December 9 at the latest. The Toktogul hydropower station -- which is Kyrgyzstan's largest -- was built in 1975 and supplies about 40 percent of Kyrgyzstan's electricity. Meanwhile, Bazarbay Mambetov, a Kyrgyz energy expert, told RFE/RL that the Toktogul station could have similar problems to Russia's Sayano-Shushenskaya hydropower station, at which an August accident killed at least 74 workers. Mambetov said the equipment and construction at the Toktogul and Sayano-Shushenskaya stations took place in the same time period and were made by the same Soviet firms. He said repairs at Toktogul are urgently needed, as no upgrades have

been made at either of the two hydropower stations since they began operating in the 1970s. (RFE/RL)

GEORGIAN MPS SEE NO GROUND FOR THAW IN RELATIONS WITH MOSCOW

8 December

Relations between Georgia and Russia could be restored only if Russia cancels its recognition of Abkhazia and South Ossetia as independent states, Georgian MPs said. "Normalizing relations with Russia meets the interests of Georgia's leadership. However, it could happen only after the de-occupation of Abkhazia and the Tskhinvali district," a leader of Georgia's parliamentary majority, Giorgi Gabashvili, told journalists on Wednesday. "As long as the Kremlin continues to recognize Georgian regions - Abkhazia and South Ossetia - as independent states, any thaw in relations between Georgia and Russia is out of the question," Gabashvili said. Russian President Dmitry Medvedev said earlier today he saw no obstacles to resuming direct air links between Moscow and Tbilisi. (Interax)

ERDOGAN EXPRESSES NABUCCO OPTIMISM

8 December

Discussions with regional energy giants and major gas supplier nations are reason for optimism for the Nabucco pipeline, the Turkish premier said in Washington. Turkish Prime Minister Recep Tayyip Erdogan arrived in Washington this week to meet with U.S. President Barack Obama to discuss a broad range of issues, from the Afghan war to European energy security. Turkey aims to position itself as a major energy hub, offering up its territory for a series of oil and gas pipelines. Russia holds a strong grip on the European energy sector. Europe wants to ease that dependency through the Nabucco pipeline using Middle Eastern and Central Asian suppliers, notably Azerbaijan. Erdogan during his meetings with the U.S. president said talks with Baku and a July intergovernmental agreement on Nabucco were cause for optimism. "We continue to talk with Azerbaijan," he said. "I do believe that positive progress will be made in this area." Nabucco is designed to have the capacity to move 1.1 trillion cubic feet of natural gas each year to European customers from Caspian and Middle Eastern suppliers. The pipeline would run from the Caspian region through Turkey to Austria along a

route through Bulgaria, Romania and Hungary. (UPI)

TURKMENISTAN BANS IMPORT OF OLDER CARS

9 December

The Turkmen government is banning the import of cars and trucks made before 2000, RFE/RL's Turkmen Service reports. A government decree issued this week states that as of January 1 any vehicles produced before 2000 will not be allowed into the country for sale. No restrictions will be imposed on cars that were made in 1999 or earlier if they were imported before January 1. Turkmenistan imports large numbers of cars from several countries, notably Germany and the United Arab Emirates. Brands such as Toyota, Opel, Volkswagen, and BMW are among the most popular in Turkmenistan. Most Turkmen citizens don't have enough money to buy newer cars, and the ban on older models will prevent many people from owning a car. (RFE/RL)

BAKU SHOULD GIVE EU GAS 'WITHOUT DELAY'

9 December

Baku would benefit substantially from a decision to allow European consumers access to its vast natural gas reserves, a European envoy to Azerbaijan said. Europe through a network of pipelines called the Southern Corridor aims to diversify its regional energy sector by bringing natural resources from Caspian suppliers, easing the Russian dominance over energy reserves. Roland Kobia, the head of the EU delegation in Azerbaijan, said in an interview with the Trend news agency that Baku has a major role to play in the diversification strategy. "The European Union sees Azerbaijan as a country that can help Europe to diversify its energy supplies," he said. Europe includes the Nabucco natural gas pipeline in its Southern Corridor of energy networks. The major players in the project are expected to ratify a major intergovernmental agreement on the project as early as this month. Natural gas supplies, however, are not secured for the project despite the strong political backing for the gas pipeline. Azerbaijan, meanwhile, is viewed as a major market in terms of oil and gas. "Europe should have access to these energy supplies, and Azerbaijan should be able to sell them without delay," said Kobia. (UPI)