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ANALYTICAL ARTICLES:

NEW U.S. THINKING ON CENTRAL ASIA
Richard Weitz

“THE PEOPLE’S IPO” BUILDS
ON KAZAKH STABILITY
Tony Pizur

NEW STRATEGIES EVOLVE IN EUROPE’S
SOUTHERN GAS CORRIDOR
Robert M. Cutler

INEQUITABLE ACCESS TO HIGHER
EDUCATION IN AZERBAIJAN
Rashad Aliyev

FIELD REPORTS:

PAKISTAN SEEKS ACCESS TO
CENTRAL ASIAN ELECTRICITY
Suhrob Majidov

KYRGYZSTAN’S RULING COALITION
CLOSE TO COLLAPSE
Joldosh Osmonov

TURKMENISTAN CELEBRATES FOURTH
ANNIVERSARY OF BERDIMUHAMMEDOV’S
PRESIDENCY
Tavus Rejepova

LAND LEASE SCANDAL BLURS PRE-ELECTION
CAMPAIGN IN KAZAKHSTAN
Georgiy Voloshin

NEWS DIGEST



*Central Asia- Caucasus Institute
Silk Road Studies Program*

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Contents

Analytical Articles

- NEW U.S. THINKING ON CENTRAL ASIA** 3
Richard Weitz
- “THE PEOPLE’S IPO” BUILDS ON KAZAKH STABILITY** 6
Tony Pizur
- NEW STRATEGIES EVOLVE IN EUROPE’S SOUTHERN GAS CORRIDOR** 9
Robert M. Cutler
- INEQUITABLE ACCESS TO HIGHER EDUCATION IN AZERBAIJAN** 12
Rashad Aliyev

Field Reports

- PAKISTAN SEEKS ACCESS TO CENTRAL ASIAN ELECTRICITY** 15
Suhrob Majidov
- KYRGYZSTAN’S RULING COALITION CLOSE TO COLLAPSE** 16
Joldosh Osmonov
- TURKMENISTAN CELEBRATES FOURTH ANNIVERSARY OF
BERDIMUHAMMEDOV’S PRESIDENCY** 17
Tavus Rejepova
- LAND LEASE SCANDAL BLURS PRE-ELECTION CAMPAIGN IN KAZAKHSTAN** 19
Georgiy Voloshin

- News Digest** 21

THE CENTRAL ASIA-CAUCASUS ANALYST

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

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Submission Guidelines:

Analytical Articles require a three to four sentence Key Issue introduction to the article based on a news hook. Rather than a general, overarching analysis, the article must offer considered and careful judgment supported with concrete examples. The ideal length of analytical articles is between 1,100 and 1,500 words. The articles are structured as follows:

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

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

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

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

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

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

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NEW U.S. THINKING ON CENTRAL ASIA

Richard Weitz

The crisis in the Middle East and North Africa, last December's OSCE summit in Kazakhstan, the civil strife in Kyrgyzstan, and the escalating fighting in Afghanistan have combined to produce a resurgence of thinking about U.S. policy toward Central Asia. The key uncertainty now is whether, given all the captivating developments elsewhere and the resource-constrained U.S. government, the new thinking will result in new actions. While recent developments in the Middle East could fuel much-needed reform in Central Asian states, such changes will need continuous encouragement from Western governments to have a lasting impact.

BACKGROUND: The social disorders in Tunisia, Egypt, Libya, and other Arab countries have invariably led Eurasian observers to see other autocracies, including those in Central Asia, as potentially vulnerable to a similar wave of popular upheavals. Some of the Central Asian leaders have been in power for many years, and only Kyrgyzstan has what can be considered a competitive multi-party system. Elsewhere, the political parties are either weak or tools of the regime. These five countries suffer from other maladies, including pervasive corruption, acute income inequalities, and transnational criminal groups that seem better able to cooperate across national borders than the frequently feuding governments of the region. Although other factors make the Arab scenario less plausible in Central Asia, that outcome cannot be excluded.

The World Bank has released new research documenting how Central Asia, along with Eastern Europe, suffered more from the 2009 global financial crisis than any other region in the world. Many people lost jobs and other sources of income, while their governments had fewer resources available to buffer their populations from the effects. The Bank's president, Robert Zoellick, has warned that new problems – soaring food prices in Central Asia

and declining remittances from Central Asians working outside the region – could lead to further economic hardships as well as political instability in the region. Although Kazakhstan, Uzbekistan, and other Central Asian countries have resumed their rapid growth, much of the recent progress is simply recovering from earlier losses and correlates with surging world oil and gas prices. These growth rates could easily slow following the next energy price slump or other external shock.

The U.S. Senate Foreign Relations Committee staff has released a study highlighting how contested water rights in Central Asia have the potential to escalate into interstate confrontations. At the same time, the Obama administration is having a hard time maintaining last year's assistance levels to Central Asia now that the Republicans have regained a majority in the House of Representatives and called for massive reductions in non-military spending. Most countries will receive modest reductions from last year's levels even if the Congress fully funds the president's budget request, which is unlikely despite valiant administration efforts to link support for these countries to the well-funded war in Afghanistan. Central Asian countries allow the U.S. and other NATO



(AP)

members to send supplies through their territories, which lie along the Northern Distribution Network, to support their military forces in Afghanistan.

The limited amount of U.S. resources that have historically been allocated to Central Asia is one of admittedly many factors that have prevented the realization of many U.S. objectives in the region, ranging from greater political pluralism to deeper economic integration with world markets to less contested water and other resources. Even so, the administration has been slow to take such low-cost measures as sending a U.S. Ambassador to Turkmenistan, which has been without such a Senate-confirmed envoy for four years. Weak U.S. public funding for Central Asia is compensated by large private sector investment in some countries, but for some reason Kyrgyzstan, which lacks the large oil and gas deposits that attract foreign direct investment, would receive a ten percent reduction in U.S. aid under the administration's

budget request despite its civil tensions and struggling yet pluralist political system.

A recent report by the Central Asia Study Group and the Project 2049 Institute identifies other important if less ambitious U.S. objectives in the region, in the process offering a reason why Americans need to remain modestly involved in Central Asia even after all U.S. combat troops leave Afghanistan. These principal U.S. interests include preserving the autonomy of these five countries; diversifying their transit options; building the capacity of public institutions; and deepening Central Asia's

connections with the international economy. One benign feature of this list is that Central Asians generally seek the same objectives.

IMPLICATIONS: Opportunities do exist that, if correctly exploited, can lead to a better relationship between Americans and Central Asians. For example, China's restrictions on the export of rare earth metals create new opportunities for Central Asian suppliers of these key components of many modern high-technology products. In addition, the scaling back of NATO military efforts in Afghanistan can encourage new thinking about appropriate regional security arrangements.

Geography alone guarantees that Beijing and Moscow will devote more attention and resources to Central Asia than will the U.S. In addition, Russian and Chinese policy makers can exercise more control over their assets — such as by coercing national companies to take larger commercial risks than a private U.S. company would accept — and share the

skepticism of Central Asian leaders regarding Western-style democracy. Yet, the U.S. has a more visible diplomatic, economic, and military presence in the region than perhaps any other non-Eurasian country. Unique American strengths include the English language; scientific and commercial achievements; and Washington's capacity to help Central Asians strengthen ties with global financial institutions and markets.

Another important U.S. and Western advantage is that Central Asian countries need Western commercial technologies to exploit some of their most promising oil and natural gas reserves, which are located in challenging geophysical conditions. Thanks to massive Western investment, the International Energy Agency forecasts that Kazakhstan's annual oil production will reach approximately 140 million tons by 2020, 190 million tons by 2025, and slightly less than 200 million tons by 2030. If this oil flows westward to Europe, it will go far toward reassuring Western energy security concerns.

Central Asia's oil and gas reserves, and its pivotal location, make it of strategic importance to the U.S. and its allies. But uncertainties regarding the development of democratic practices and the transition to the next generation of political leaders generate uncertainty about the fate of the Central Asian states. With the notable exception of Kyrgyzstan, most Central Asian leaders do not embrace Western-style liberal democracy. But the absence of clear succession plans for Central Asian governments remains of concern to long-term foreign investors who have poured more than US\$ 120 billion into Kazakhstan alone since 1993. As the most prosperous of the Central Asian states, Kazakhstan should use the

upcoming presidential election to assure domestic and foreign observers that the country is making progress toward an orderly democratic leadership transition when long-standing President Nursultan Nazarbayev leaves the scene.

The latest events in the Middle East might make Central Asian leaders more open to the need for an orderly succession when they leave office. State Department officials have testified that they have sought to "leverage" the events in the Middle East to induce them to make political and economic reforms. The best way for Central Asian countries to avoid the fate of several of the Middle East's authoritarian leaders is to develop their political institutions through greater pluralism and civil liberties, which makes it easier for governments to identify and respond to their citizens' needs. And citizens who can help shape their country's public policies through elections and other legal political activities are less likely to resort to extra-constitutional actions.

CONCLUSIONS:

Washington's preoccupation with the Middle East, North Africa, and domestic politics risks overlooking this important region. As reported in the 03/16/2011 issue of the CACI Analyst, the Central Asian governments are reconsidering past policies and contemplating new policy directions, including developing stronger ties with the United States and its allies. But such initiatives will prove fruitless unless they find a receptive audience in Western capitals.

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“THE PEOPLE’S IPO” BUILDS ON KAZAKH STABILITY

Tony Pizur

Kazakhstan’s President, Nursultan Nazarbayev, has set elections for April 3, 2011. As part of his reelection program, a clear plan for a “People’s IPO” was announced at the World Economic Forum in Davos last month. The initial public offering will sell shares on the Kazakh Stock Exchange (KSE) from holdings of the “Samruk-Kazyna” Sovereign Wealth Fund. The IPO’s objectives are to boost the KSE’s institutional capacity amid a growing wave of global stock market mergers and increase economic participation by Kazakh citizens. While Arab leaders redistribute sovereign wealth funds to quell unrest, Nazarbayev’s strong political position drives forward-looking economic development policies.

BACKGROUND: President Nazarbayev’s surprise call for elections has successfully caught opposition candidates off guard. Although he is virtually assured of victory, his campaign has rolled out an economic development program to convince voters to extend his twenty-year rule. Given the accelerated election timeline, his platform focuses on financial policies which can be implemented in the near term. A “People’s IPO” will be launched to allow ordinary Kazakh citizens to buy shares in state-owned and sovereign-wealth-controlled firms. The election pledge is well designed to appeal to broad voting constituencies.

Kazakh households have been effectively excluded from equity investing because of cumbersome regulations and weak institutional capacity at the KSE. The average trading volume is low; in January the entire exchange posted about US\$ 60 million in transactions. In comparison, Coca-Cola’s shares trade that same amount in 45 minutes on a typical day at the NYSE. In spite of an advanced technical trading platform, the KSE imposes onerous rules and capital requirements on investors.

Low volume and bureaucracy work in tandem as a barrier to individual retail investing.

Large Kazakh firms have chosen to list on the London Stock Exchange (LSE) to access international capital markets. KazMunaiGaz, Eurasian Natural Resources Corporation, and Kazakhmys are dual-listed in London and Almaty, though the vast majority of share volume is transacted on the LSE. The KSE and LSE signed a cooperation agreement in 2006, but it is limited to the regular exchange of general information and a shared marketing vision. No formal arrangement exists to share quotes or other transaction details; the two stock markets are financially disjointed.

Two funds represent the Kazakh national endowment of wealth. The “Samruk-Kazyna” Sovereign Wealth Fund is organized as a joint stock company to manage large state-owned enterprises. The fund is mostly an economic development vehicle for organizations such as Kazatomprom, Kazpost, and Kazakhstan Temir Zholy (rail company). Because these holdings are not publically traded, their imputed worth of around US\$ 70 billion is difficult to truly value, but the fund is rated investment grade by Standard & Poor’s. Distinct from Samruk-



Kazyna, the National Oil Fund (NOF) holds US\$ 33.5 billion in wealth from the sale of oil and gas. During the global financial crisis, the NOF was tapped as a capital stabilization pool. Both funds have different purposes and economic objectives.

IMPLICATIONS: The “People’s IPO” is unlikely to be a definitive factor in President Narzarbayev’s impending victory; however, it should have long term economic effects. Individual investors will be enfranchised; the KSE will be strengthened; the domestic investment capital base will be expanded; Kazakh markets will be more globally competitive. The proposed program offers a

broad array of policies to promote economic stability and development.

The IPO rules are fairly restrictive: Only Kazakh citizens will have the right to purchase up to 50 shares in each newly privatized firm. The IPO is not a wealth redistribution mechanism, but the implied goal is to create long-term prosperity through expanded stock market participation. The IPO will include educational materials on financial literacy, and individuals will have a greater choice of investment alternatives. Nevertheless, significant implementation challenges remain.

The KSE will have to change its regulations to welcome the new investors. Simplified investment rules and open access to exchange

information are being developed. As more people purchase shares, market capitalization and liquidity will increase, and the price-setting mechanism of the market should be more robust. The first IPO will be KazMunaiGas followed by other LSE-listed firms. Because these companies are already profitable, they ought to be more reliable investments. Later, less competitive enterprises like KazPost and Kazakhstan Temir Zholy will float offerings, and IPO demand may wane.

To manage less competitive firms, Samruk-Kazyna relies on a mix of foreign investment and NOF stabilization capital. In February, the China Development Bank loaned Samruk-Kazyna US\$ 1.7 billion, part of a pattern of Chinese state investment in Kazakhstan. The IPO's could reduce the need for foreign money by expanding domestic private investment. A more diversified domestic shareholder base should also reduce volatility and partly supplant NOF financial support.

Regionally, the KSE is the strongest exchange. The Uzbek stock market is mired in currency convertibility issues; Tajikistan's market is nonfunctional, and Turkmenistan has no exchange at all. The KSE is a partial owner in the Kyrgyz Stock Exchange, but Kyrgyz market capitalization remains miniscule at under US\$ 200 million. In order to expand, the KSE will have to look outside the region, and this implies adjusting to global standards.

Global competition for financial services is increasing. A number of proposed stock market mergers may create significant economies of scale and link major financial hubs like never before. Kazakhstan aims to be a leading Asian financial center, but additional reforms are

necessary to increase transparency and liquidity. Alignment with international clearing standards must also be implemented to synchronize the flow of funds. Mechanisms to better equilibrate dual-listed share prices must also be installed to reflect true market capitalizations and ensure fair trades.

CONCLUSIONS: The People's IPO is a modest economic development program. Selected state-owned firms will spin off from five to twenty percent of their total shares. The plan's scope stands in stark contrast to recent sovereign wealth transfers in the Arab world. Saudi Arabia distributed almost US\$ 40 billion in social aid in February, and smaller Gulf States upped domestic spending by proportional amounts. Narzarbayev's measured and limited approach speaks to his confidence as Kazakh leader.

Kazakhstan has the ability to implement the IPO domestically. If the process is managed fairly, then greater economic participation will be achieved easily. The true touchstone for success will come from external factors. KSE share values will have to correspond roughly to LSE dual-listings to prove the market is working efficiently. With regional stock exchange opportunities lacking, the KSE will need to harmonize its regulations and increase capitalization and liquidity to compete globally. Simply remaining the leading regional exchange will not be sufficient for long term success.

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NEW STRATEGIES EVOLVE IN EUROPE'S SOUTHERN GAS CORRIDOR

Robert M. Cutler

The further delay of final investment decisions on the Nabucco and South Stream natural gas pipeline projects does not diminish the significance of the current calendar year for them or for associated projects in southeastern Europe. The prolongation of the timeframe only creates the need for the pipelines' respective proponents to organize further tactical moves while elaborating auxiliary strategies. The competition between Nabucco and South Stream is raised to a higher level even as the European Union declares that the two projects' relative commercial merit is as important as their contrasting geopolitical implications. Each project consortium and its members individually seek to adapt to, and simultaneously to shape, the evolving geo-economic environment.

BACKGROUND: In the late 1990s, Russia persuaded Turkey to build the Blue Stream pipeline under the Black Sea between them. This maneuver succeeded in blocking erstwhile plans to construct a Trans-Caspian Gas Pipeline (TCGP) from Turkmenistan under the Caspian Sea to Azerbaijan, whence Central Asian gas would have entered Turkey through Georgia and found its way to Europe. It is natural that the Russian-sponsored South Stream pipeline project, under the Black Sea to either Bulgaria or Romania, has been seen in the same way, as a blocking move against the EU-sponsored Nabucco project, which would take Caspian Sea basin gas to Europe. Yet South Stream has still not completed a feasibility study and is only now starting to submit environmental and other documentation to the Turkish government, whose permission it requires since South Stream would pass through Ankara's exclusive economic zone in the Black Sea. South Stream's own final investment decision has thus also been delayed.

The year 2009 saw several conditions for Nabucco fall into place. First, the European Commission (EC) adopted the Southern Gas Corridor program for diversifying energy

sources and routes, including the trans-Caspian connection, at its Prague Summit held in May. Second, the Turkish parliament approved the Nabucco Intergovernmental Agreement (NIA) and its government signed the document together with Austria, Bulgaria, Hungary, and Romania in mid-July the same year. Third, the European Bank for Reconstruction and Development, the European Investment Bank, and the International Financial Corporation (a member of the World Bank Group) signed a mandate letter with the Nabucco consortium, launching the appraisal process for financing. A final investment decision was foreseen for 2010, but tough Azerbaijani-Turkish negotiations together with the need to harmonize sourcing the gas with pipeline construction led to its postponement to the first half of 2011 and then to the second half.

Recently the British firm BP publicly mentioned the figure of 10 billion cubic meters per year (bcm/y) of natural gas from Shah Deniz Two for non-Nabucco transit to Turkey and Europe. BP and the Norwegian firm Statoil together own equal parts of a 51 percent majority stake in the Shah Deniz development, which has been slated to contribute production



to Nabucco. Statoil also owns 42.5 percent of the Trans-Adriatic Pipeline (TAP) project, a planned pipeline across Greece and Albania, then under the Adriatic Sea to Italy. For its part, the EU has also been trying to encourage Nabucco to work together with the Interconnector Italy-Turkey-Greece (ITGI) project, a scheme for taking gas from Azerbaijan's offshore deposits into southern and southeastern Europe, but ITGI's participants have been hesitant.

IMPLICATIONS: It is hardly a coincidence that TAP's first-stage volume is projected at 10 bcm/y. This is the quantity mentioned by BP for non-Nabucco transit, presumably by doubling or later trebling the number of strings for gas in the South Caucasus Pipeline. While incorporating a link to TAP would maintain if not increase Statoil's market share in northern and eastern Europe, last month South Stream sought to complicate matters by bruising the idea of supplying the Italian market through a Balkan spur into Greece, across the Peloponnesus, under the Ionian Sea to the heel of Italy's boot. The EU has finessed against both these new gambits by persuading the

Nabucco consortium to formally decide that the Nabucco pipeline will begin at Sangachal, the gas processing and oil production complex near Baku that already hosts the gas plant for Shah Deniz and which the Nabucco consortium decided already last year to expand.

South Stream's proposed new spur to Italy follows precisely the planned route of the Greece-Italy segment of the ITGI – the Turkey-Greece segment is already operating. And this was proposed even as Russia's president Vladimir Putin was announcing that the South Stream pipeline project itself could be cancelled in whole or in part, in favor of compressed natural gas (CNG) technology for surface transportation across the Black Sea; even though he was unable to say for certain where the gas for this would come from. It is difficult to see in this pronouncement anything more than another attempt to forestall Nabucco, this time by piggybacking on ideas already being examined under the AGRI project for export of Azerbaijan's gas via CNG technology from Georgia to Romania, and separately for its export to Bulgaria via liquefied natural gas (LNG) technology from the Georgian Black Sea coast. Feasibility studies for both these projects have been under way since the international Batumi energy conference a year ago.

Meanwhile, Turkmenistan and Azerbaijan continue preparatory work for a framework for

constructing the TCGP with occasional assistance from the EU. Relations between the two countries have been improving for the last five years. At the Baku summit of the five Caspian littoral states last November, they publicly agreed that only the mutual consent of states intending to construct an undersea pipeline in the Caspian Sea (and not all five littoral states) is required for construction to proceed. Devices exist in international law for that to occur even in the absence of definitive settlement of the territorial differences between the two countries in the middle of the Caspian Sea. In addition, Turkmenistan's decision last year to use only its own resources to reconstruct the East-West Pipeline across the south of the country prefigures a readiness to dedicate 30 bcm/y from the Douletabad gas field to a new TCGP. Since that amount would overfill the Nabucco pipeline, taking other suppliers into account, Ashgabat would appear ready to commit to the White Stream project if it could be insulated from Russia's displeasure.

CONCLUSIONS: The EC's director-general for energy, Philip Lowe, has countered the idea that Europe's demand for natural gas will be limited in the medium-term future by suggesting that gas should replace coal in the EU's energy mix. He has also emphasized the key role of gas as a benchmark for market pricing, refuting Russia's criticism of EU internal directives for the unbundling of European energy conglomerates. That criticism does not prevent Russia from adopting domestic unbundling strategies for its energy "champions" while justifying this policy internally on the grounds of economic efficiency. What this means for Central Asia and the South Caucasus is that Europe may yet stand fast against the bombardment of its Third

Energy Program by Russian private, secret, and public diplomacy.

Last year it was announced that the French firm EDF would join the South Stream consortium by taking over a part of the half of shares currently owned by the Italian firm Eni. Gazprom owns the other half. This has been unaccountably delayed, but just this week it was announced that the German firm Wintershall would join South Stream. In fact, such a decision bolsters the case for Nabucco, as well as for White Stream, since it is clear that Wintershall's decision could be taken only on economic grounds, producing the conclusion that pipeline projects in the region are indeed commercially viable.

If Azerbaijan succeeds in its quest not only to supply but also to sell its own gas, and to sell it in southeast and east-central Europe to countries along Nabucco's route, then this would create energy security in the region by allowing a gas ring to be constructed via a series of binational interconnectors while allowing Statoil to keep its own market share further to the north. All the most recent developments only serve to underline the critical role of Azerbaijan and its increasingly autonomous energy development policy.

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INEQUITABLE ACCESS TO HIGHER EDUCATION IN AZERBAIJAN

Rashad Aliyev

An analysis of the higher education system in Azerbaijan offers clear indications of an impending social and economic challenge due to the inequitable access to higher education between urban and rural populations. A substantial part of the disparity in access to higher education in Azerbaijan stems from the large gap in the quality of education between regions as well as types of secondary schools. A comparison of university admission rates among the different groups in question is usually taken as a fairly good proxy for most aspects of equity in access to higher education. Such analysis of cross-sectional data for Azerbaijan reveals a huge disparity in higher education admission rates between urban and rural areas.

BACKGROUND: The higher education system in Azerbaijan has not seen the kind and extent of transformation in terms of governance, finance or organizational structure in higher educational institutions (HEI) that has occurred in most other formerly socialist countries of Eastern Europe and Central Asia. The government's first major education reform initiative since the collapse of the USSR came after the Education Reform Program of 1999, but its focus was mainly on the quality and relevance of general education. Higher education, however, has seen little meaningful change during the two decades of independence. The rapid increase in higher education participation rates, the expansion of the private higher education sector and the establishment of new public HEIs observed in most transition countries, such as Poland and Georgia, as well as in neighboring Turkey, has not occurred in Azerbaijan. Azerbaijan's higher education market remains supply-driven and the country has one of the lowest tertiary gross enrollment rates (about 16 percent) in the region. The gross enrollment rate in the tertiary education sector in 2008 was even lower than the 1990 "pre-independence" levels, and considerably lower

than most countries, including Russia (77 percent) Kyrgyzstan (52 percent), Moldova (40 percent) and Tajikistan (20 percent).

Continued governmental price control over tuition policies in public schools and strict student admission quotas imposed on both public and private universities, large state subsidies provided to public universities, as well as the high rate of value added tax imposed on private higher education institutions are all contributing factors to the current market failure in the higher education sector. The long list of the government's regulatory functions in the higher education system has seen little change in the past 20 years, which is quite indicative of the general perception that the government is disinclined to loosen its control over universities or deregulate the higher education market in the near future. Azerbaijan also lacks a comprehensive and proactive policy analysis to feed the decision-making process in areas critical to the efficient functioning of the education sector. This is a major setback which undermines the Government's capability to fully comprehend and tackle challenges and effectively prioritize reform initiatives in the higher education sector, and has also obscured



challenges in areas such as equity from the higher education community.

IMPLICATIONS: Azerbaijan's Constitution and its Law on Education set forth principles that guarantee a universal right to education and prohibit discrimination on the basis of age, gender, race or ethnicity in accessing higher education. However, the equality of rights alone, devoid of proper measures to ensure an equitable distribution of opportunities and choices across various groups, does not always lead to socially desirable outcomes. Education is a prime example of inequality in the distribution of public goods. Azerbaijan has experienced growing inequality in the educational outcomes at the secondary level in the past decade, which has in turn diminished the system's capacity to ensure equitable access to higher education across the country. A considerable part of the existing regional disparities in the transition to higher education in Azerbaijan is attributable to an unequal distribution of educational choices and

opportunities among urban and rural areas.

Specifically, research shows that cross-regional data are consistent with the hypothesis that the higher education system in Azerbaijan is significantly predisposed to students from urban areas and affluent families, and that current educational policy

and regulations exacerbate inequitable access for the disadvantaged.

In 2009 the university admission rate among newly graduated secondary school applicants varied from 42 percent in the capital Baku and 39 percent in the city of Sumgait to about 16-19 percent in the rural districts of Aghsu, Khachmaz, Imishli, Sabirabad, Tartar and Saatli. Furthermore, the data show that graduates of several dozen public high schools called lyceums concentrated primarily in Baku, as well as private Turkish schools, have consistently outperformed graduates from the rest of the country in university admission exams over the past decade. The mentioned schools have a very high (sometimes close to 100 percent) rate of transition to higher education institutions. On the opposite side of the spectrum there are hundreds of high schools, mostly in rural and remote areas, that consistently see zero or close to zero transition to higher education among their graduates. For

instance, in the 2009 university admission exams 850 out of 3,143 participating schools from around the country had zero graduates proceed to higher education, mainly because they scored low in university admission exams. By comparison, 18 out of 29 schools in the Aghsu district and 12 out of 20 schools in the Dashkasan district, both of which are rural areas, were among the zero transition schools in 2009, while none of the 310 schools in capital Baku or the 49 schools in Sumgait, and only 2 out of 31 schools in the district of Absheron (the outskirts of Baku) fell into that category. This combination of stark imbalances between regions and schools in transition rates, particularly regarding the problem of zero transition to higher education, is persistent over time and shows no signs of improvement. The regional imbalance in the distribution of failed schools is a warning about the widening performance gap at the secondary level which in turn leads to inequitable access to higher education between urban and rural areas.

The analysis of student performance in the university admission examination shows that access to higher education is greatly obstructed by the relatively poor quality of education in rural secondary schools, which leads to lower high school graduation rates and lower transition rate to higher education. But socioeconomic factors, namely the costs and availability of private tutoring and costs of higher education (both tuition fees and living costs in cities where almost 82 percent of all HEIs are located) may also have had a strong restrictive effect for students from rural areas to access higher education. The current state tuition assistance scheme is based solely on the student admission examination scores and does not envisage need-based financial support with

the exception of students from refugee and IDP families; nor are there any tuition deferment programs or student loans to alleviate the socioeconomic barriers for disadvantaged students.

CONCLUSIONS: The higher education system in Azerbaijan is rarely evaluated on the metric of equity, but the described imbalances in higher education participation rates among urban and rural areas should be sufficient to draw the attention of the educational community in Azerbaijan to the need for more policy-oriented research, as well as informed and evidence-based policy-making in critical areas such as equity. The long-term social and financial effects of the sustained inequity in Azerbaijan's higher education sector can be very costly, because this condition limits intergenerational mobility for the population from rural areas and poor households and contributes to the poverty trap. The current situation is also likely to generate higher future social protection costs for the state in connection with the relatively lower level of educational achievement and incomes of the population in rural areas. Therefore, any steps that will be taken in reforming higher education must also focus on improving the mentioned challenges in secondary education, as well as transforming the current state tuition assistance program into an effective need-based tuition assistance scheme. Otherwise, reforms in higher education run the risk of benefiting predominantly the students from urban and wealthy households, and worsening the existing gap in access to higher education between urban and rural areas.

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FIELD REPORTS

PAKISTAN SEEKS ACCESS TO CENTRAL ASIAN ELECTRICITY

Suhrob Majidov

On March 7-10, 2011, Tajikistan's President Emomali Rahmon paid an official visit to Pakistan where he met with his Pakistani counterpart Asif Ali Zardari. Official media report that the parties discussed "strengthening and further development of friendly relations and bilateral cooperation" during the visit. In addition, the President of Tajikistan held separate meetings with relevant ministers and discussed cooperation between the two countries in the fields of trade and economy, agriculture, public health, etc. As a result of the visit, over 30 agreements were signed, including a joint communiqué by the two Presidents, an interstate agreement on cooperation in the field of sport, and a number of inter-agency agreements in the fields of agriculture and public health.

Most experts agree, however, that the major topic for discussion between the Tajik delegation and their hosts was the development of cooperation in the energy sector, particularly within the framework of the prospected CASA-1000 project. Although there was no official statement regarding CASA-1000 except for "good intentions to develop cooperation between the two countries in the hydropower sector", experts believe that both sides reconfirmed their positive intentions towards the Project.

CASA-1000 aims at providing electric power for export from Tajikistan and Kyrgyzstan to Pakistan and Afghanistan, mainly during the summer periods. According to the initial agreements, Tajikistan and Kyrgyzstan will supply an equal amount of electricity to Pakistan, which will receive 70-75 percent, and Afghanistan, which will receive 20-25 percent.

The construction of several new power transmission stations is planned within the framework of CASA-1000: Datka-Khujand, which will connect the power energy supply systems of Kyrgyzstan and Northern Tajikistan; Khujand-Rogun-Sangtuda, which will connect Kyrgyzstan and Northern Tajikistan with the South of Tajikistan; and Sangtuda-Kunduz-Pol-e-Khumri-Kabul-Peshawar, which will connect Tajikistan, Kyrgyzstan, Afghanistan and Pakistan through one power energy system. The total length of the CASA-1000 electric power lines is planned to be about 1,600 kilometers (1,00 miles), making it the most extensive regional power supply project to date. It is planned that almost 90 percent of the project will be funded by international finance organizations like the Islamic Development Bank, the World Bank and others. The remaining 10 percent of the required funds will be provided by private investors.

Immediately after the top level negotiations between Tajikistan and Pakistan, Pakistan's Prime Minister Syed Yousuf Raza Gilani visited Kyrgyzstan. As a result of the visit, a joint declaration containing a specific paragraph where both sides "declare their interest" in cooperation under the framework of CASA-1000 and "emphasize the importance" of the project was signed by the sides. Thus, Pakistan managed to get a principal confirmation from Tajikistan and Kyrgyzstan about CASA-1000.

Uzbekistan seems unhappy about this ambitious regional project. As the English-speaking Pakistani newspaper *Dawn* reported recently, Uzbekistan's Embassy in Islamabad handed over a note of discontent about CASA-1000 to the Ministry of

Water and Energy of Pakistan. In the note, Uzbekistan claims that the transmission line planned under CASA-1000 “contradicts international law and agreements”. Uzbekistan insists that any trans-boundary hydropower project should only be realized after comprehensive assessments of its environmental impact in the region. Thus, according to the Pakistani news outlet, Uzbekistan seeks to persuade Pakistan to refrain from participating in CASA-1000. In return, Uzbekistan will co-finance the construction of three hydropower stations on the Swat River in Pakistan. Finally, Uzbekistan questions the ability of Afghanistan to provide security during the construction of the energy transmission stations and lines required for CASA-1000.

Local experts believe that Uzbekistan’s position towards CASA-1000 stems from the conflict between Tajikistan and Uzbekistan over the Rogun hydropower project in Tajikistan. After its completion, Roghun would become one of the largest hydropower stations in Central Asia. Uzbekistan is explicitly against the construction of

the station, claiming that it would damage the environmental balance in the region. Thus, Uzbekistan utilizes any opportunity to press Tajikistan into abandoning the Rogun project, and now voices similar objections against CASA-1000.

By supporting CASA-1000, Pakistan has become a new party to the Central Asian hydropower dispute. Thus, Pakistan’s Minister of Water Resources and Energy, Said Navid Kammar, made an official statement that Pakistan is not going to abandon CASA-1000, regardless of Uzbekistan’s position. Pakistan is highly interested in importing electricity from Central Asia due to its significant energy shortages. At the same time, it seems that Pakistan wants to avoid exacerbating the conflict with Uzbekistan, as Gilani confirmed his country’s “interest in long-term cooperation with Uzbekistan” during his official visit to Tashkent. Still, the CASA-1000 project and the ambiguous position of Pakistan risks bringing additional tension to the uneasy relations between Tajikistan and Uzbekistan.

KYRGYZSTAN’S RULING COALITION CLOSE TO COLLAPSE

Joldosh Osmonov

“For now, the parliamentary majority coalition will continue to work”, said Kamchibek Tashiev, leader of the Ata Jurt parliamentary faction, following a high-powered meeting of the group on March 22. By this statement, Tashiev may have laid speculations around the potential collapse of the alliance to rest, but not without a note of caution. He added that the prospect of leaving the coalition will remain a matter for further discussion.

Three months ago, three parties including the Social Democratic Party of Kyrgyzstan, Ata Jurt (Fatherland) and Respublika joined forces to form a parliamentary coalition, controlling 77 of 120 seats in the house. The leader of the Social Democrats, Almazbek Atambaev, was elected Prime Minister,

whereas Respublika’s leader Omurbek Babanov was appointed his first deputy. Akhmatbek Keldibekov, one of the leaders of Ata Jurt, became the Speaker of Parliament. Despite bringing the largest numbers to the majority coalition and being the largest party in parliament, Ata Jurt was not able to secure a position of influence in the government, something that the faction is now seemingly striving for.

The faction’s disenchantment with the coalition is twofold: the lack of coordinated work among the coalition partners and the faction’s inability to play a crucial role in government decision making. Tashiev contends that that ever since the coalition was formed, the allies have not convened even once to coordinate their work. Amidst rising discontent

and allegations of corruption surfacing against vice PM Babanov, Ata Jurt is seriously contemplating to withdraw its support.

Opposition parties have accused Babanov of seizing large businesses in the country and promoting the interests of a fuel supply company owned by his relatives, against the public interest. Moreover, during a recent visit to Bishkek, Russian parliamentarians alleged that Babanov was seeking to wrest control of “Megacom”, Kyrgyzstan’s largest cellular operator and second largest taxpayer, from Russian investors. The parliamentarians Semen Bogdosarov and Alexey Ostrovskiy claimed that Babanov had demanded a kickback of US\$ 50 million to “resolve the issue”. The vice Prime Minister on his part, denied all charges and called the accusations attempts by political opponents to dissolve the coalition.

However, this is not the first time that the Ata Jurt group has met to discuss their disgruntlement with the present arrangement. On March 11, it held a meeting at the height of the corruption scandal involving Babanov. The faction exhorted the government to respond to the charges by March 22, followed by a letter to the Prime Minister on March 15.

The letter listed 10 demands regarding changes to the coalition agreements. The principal one is the creation of a coalition council to serve as the prime decision-making body for the government. It also sought an assurance from the Prime Minister that in case he decided to run for president, he would resign

from his current post within 10 days after the announcement of the presidential election. His successor would in that case be elected through open voting at the general session of the coalition partners.

In response to the 10-point memorandum of demands, Atambaev stated that he agreed to most of the demands in principle. However, he expressed his reservations over certain proposed changes as “contradictory to the Kyrgyz constitution and legislation”. It is illogical to consider them since these offered changes are subject to parliamentary review and only parliament can make these changes, Atambaev concluded.

Meanwhile, coalition members have conceded to the demand for a coalition council, consisting of three members from each faction. In addition, they have agreed to create a working group within the coalition, consisting of five members from each faction to ensure smooth and effective functioning of the alliance.

Political experts have expressed little optimism regarding structural changes within the coalition. The changes are perceived as means to secure more power in the wake of the impending presidential elections. Most political experts contend that the breakup of the coalition is a matter of time. Local political analyst Marat Kazakpaev, for example, argues that the inherent differences between the three parties made the coalition unsustainable from the beginning. Thus, in his opinion, a breakdown of the current cooperation format seems inevitable.

TURKMENISTAN CELEBRATES FOURTH ANNIVERSARY OF BERDIMUHAMMEDOV’S PRESIDENCY

Tavus Rejepova

February 14 was marked by nationwide festivities, concerts and conferences in Turkmenistan to celebrate the fourth year of Gurbanguly Berdimuhammedov’s presidency. The ministries,

government departments and state agencies organized conferences and massive public events praising the president’s achievements over the last four years in Turkmenistan. The state TV and radio

channels broadcasted in a festive mood for three days before and after the event. However, none of these events provided for critical appraisal of any real reforms or changes made during these four years.

Four years into his rule, President Berdimuhammedov reversed the major idiosyncratic policies of his late predecessor Saparmurat Niyazov, who suddenly died due to heart problems in December 2006. Particularly, Berdimuhammedov extended full secondary education to ten years from the previous nine, and university education from two to five years. In 2007, he pushed through a new major law on social security, giving the country's oldest their pensions and welfare benefits back. Minor financial reforms were made, including a currency reform – a removal of late President Niyazov's picture from most denominations of Turkmenistan's currency units and banknotes. Abandoning the strict limitations on domestic traveling and allowing citizens to travel internationally further significantly raised his reformist ratings both at home and abroad. However, these changes are only a reversal or dismantling of what the past president had built up during his 16 years in office and more comprehensive reforms need to be introduced.

Broader reforms need to address the absence of political pluralism in the country. Turkmenistan's only political party, the Democratic Party of Turkmenistan chaired by Berdimuhammedov himself, has ruled the country since independence. In February 2010, Berdimuhammedov spoke of the necessity to create a multiparty system and recommended creating an agrarian party. However, the rubber-stamp Parliament has not yet carried out the president's directives and did not present a bill that would regulate the party registration procedures in Turkmenistan. Nevertheless, ordinary people remain very skeptical of the Parliament's ability to either promote their interests or act independently of the executive branch.

Instead of providing access to information and media freedom, there is a strong desire for controlling the minds of today's youth in Turkmenistan. This includes last month's arrest of two pop singers, Maksat Kakabaev and Murat Ovezov, allegedly for releasing a Western-style music video and giving an interview for the Turkish music TV channel TBM. The intimidation of youth also includes the travel ban imposed in 2009 on hundreds of students trying to leave the country and return to universities abroad in order to continue their education at their own expense. Also, after a single isolated incident last month when three male students from the Polytechnical Institute in Ashgabat invited three girls for an off-campus party where one girl was raped and strangled, the Turkmenistan Initiative for Human Rights (TIHR) reports massive restrictive measures such as banning students from living off campus, night time curfews, and constant surveillance at all universities in the country.

Despite the fact that the president opened for a limited number of state-owned internet cafes across the nation, opposition websites, basic youth-favored social network pages like Facebook and its Russian prototypes are indefinitely blocked. The Reporters Without Borders 2010 Press Freedom Index, released on October 22, 2010, ranked Turkmenistan as 176 out of 178 countries surveyed and noted a downward progress.

Similar figures are observed through other international indicators. Freedom House continued to rank Turkmenistan at the lowest ranking of 7 along the lines as countries like Uzbekistan, North Korea, Libya, Sudan and Burma. The Heritage Foundation's 2011 Index of Economic Freedom gave Turkmenistan an overall freedom score of 43.6, ranking its economy as 169 out of 179 countries on its chart. Thus, amidst these lavish celebrations of the fourth anniversary at home and gloomy indicators of current situation, much remains to be done.

LAND LEASE SCANDAL BLURS PRE-ELECTION CAMPAIGN IN KAZAKHSTAN

Georgiy Voloshin

A few weeks before the upcoming presidential elections in Kazakhstan, President Nazarbayev's former son-in-law, former ambassador to Austria Rakhmat Aliyev, accused the Kazakh leader of having signed a secret agreement with China about the handover of 1 million hectares of arable land to Chinese farmers for 99 years of lease on his recent trip to Beijing. This unverified piece of information published in Aliyev's personal blog, which has recently become an outlet for critical statements about Nazarbayev's handling of Kazakh politics, sparked serious controversy and pushed some opposition leaders to demand explanations from the president or his administration.

In order to defuse the brewing scandal, the Kazakh President's counselor for political matters Ermukhamet Ertysbayev said to the press that Aliyev was merely trying to smear the current regime and was probably nurturing unjustified hopes of someday being acquitted of all the charges pressed against him in a 2007 trial in absentia. In that episode, the President stripped his son-in-law of all his positions, both those of responsibility and honorary, and the state prosecution initiated an investigation into Aliyev's supposedly fraudulent attempt to take over the headquarters of one of Kazakhstan's biggest banks – Nurbank. Though being permanently exiled in Vienna and deprived of all his Kazakhstan-based businesses which he shared with his wife and the president's eldest daughter Dariga, Aliyev decided to stay involved in politics and launched a series of public campaigns against the Kazakh leader.

The "land lease scandal" could have been ironed out, had the Russian press not published a few ambiguous statements on behalf of a representative of the Chinese Ministry of commerce and, simultaneously, the president of a consulting company. In a commentary to a Russian news agency, CEO of Huahe International Liu Chuanu

said that Chinese businessmen were eager to entertain closer ties with Kazakh farmers from Almaty Oblast, where weather conditions and soil properties are propitious to intensive agriculture. In his view, land could be allotted either from the government-owned land funds, or directly from the private property of individual farmers who would like to benefit from large-scale production of crops needed on the Chinese market.

After the publication of Liu Chuanu's interview, the expert community in Kazakhstan remains highly divided over what interpretation of the "land lease story" to adopt to avoid confusion, especially on the eve of a presidential contest. Some of them, such as the lead analyst of the Quorum Internet portal Adil Kaukenov, believe that Chinese officials have always been very prudent in their talks with neighboring Kazakhstan and are more interested in fostering mutual trust than in alienating those in their immediate vicinity. He admits that wayward use of water from trans-boundary rivers and non-acceptance of Uyghur separatists from the Xinjiang region are doomed to remain hallmarks of Chinese policy, but the land issue, so sensitive to the majority of Central Asians, is too disturbing to be seriously pondered.

This opinion is shared by Konstantin Syroezhkin, a senior researcher at the Kazakhstan Institute for Strategic Studies in Almaty. As a major specialist in Chinese affairs, Syroezhkin rules out any possibility of a 99-year-long lease of Kazakh land by companies from the Middle Kingdom. First, he says that the Constitution and the Land Code of Kazakhstan explicitly limit the term of land lease to 49 years for Kazakh nationals and to 10 years for foreign nationals and ban any purchase of land by non-Kazakhstanis. Secondly, Kazakhstan has no more arable land to exploit, especially in Almaty Oblast, as all unused territories are unfit for agriculture because of their poor quality.

The “land lease scandal” first broke out in December 2009, when President Nazarbayev touched upon a probable deal with Chinese companies about the joint exploitation of fertile lands for massive agricultural production. Vice-minister of agriculture Arman Yevniev then said that China’s demand of soy beans will increase to 50 million tons by 2015, so that Kazakhstan could aim to produce at least 1 million tons using half a million hectares of land. The President’s words, Yevniev explained, only stated an untapped cooperation potential with the setup of joint ventures and jointly implemented investment projects. However, in January 2010, the Minister of agriculture Akylbek

Kurishbayev publicly promised that China would not get an inch of Kazakh land, whether through ownership or long-term lease. Thus, the government tried to downplay the seriousness of any plans that had already surfaced about the establishment of agricultural cooperation with China on the territory of Kazakhstan.

Earlier this month Alexander Sobyenin, a leading expert of the Association for trans-border cooperation based in Moscow, speculated in his blog that the creation of the Central Asian Agricultural Resources Corporation, announced last year, was intended to promote the idea of boosted cooperation with Kazakhstan in the field of agriculture.



New Silk Road Paper:

Between Hesitation and Commitment: The EU and Georgia after the 2008 War

By Lili Di Puppò

This Silk Road Paper discusses the evolution of relations between Georgia and the EU after the 2008 war between Georgia and Russia.

The Silk Road Paper can be downloaded free at www.silkroadstudies.org. Hardcopy requests should be addressed to Paulette Fung at caciz@jhu.edu.

NEWS DIGEST

MCC CONSIDERING USD 100-150 MLN AID FOR GEORGIA

17 March

The U.S. government foreign aid agency, Millennium Challenge Corporation (MCC), is considering an estimated USD 100-150 million for a new grant package for Georgia, according to MCC chief executive Daniel W. Yohannes.

In January MCC board of directors selected Georgia and Ghana eligible to develop proposal for package of grants under its aid program for the second time. The first USD 295.3 million aid program under the MCC was signed between Georgia and the U.S. in September, 2005. An additional USD 100 million was allocated under the program in 2008. The program will be completed this year. Yohannes told the House Foreign Affairs Committee hearing on March 16, that Georgia and Ghana were selected because of “their continued strong policy performance, their status as important emerging markets, their strategic importance both globally and regionally, and their successful implementation of their first compact.” The major part of the first MCC aid was allocated for Samtskhe-Javakheti road rehabilitation (USD 209 million); North-South gas pipeline rehabilitation (USD 49.5 million) and various regional infrastructure development projects (USD 57.7 million). MCC chief executive said that the second aid package would focus on solidifying an economic growth path to attract private investments and eventually to reduce the need for aid. “New MCC investments with countries that have successfully concluded their first compacts – are expected to target constraints to private investment,” Yohannes said. Yohannes said that Georgia “is recognized globally as one of the best investment climate reformers, even though 30% of its population still lives on less than USD 2 a day.” During his visit to the United States in February, Georgia’s Prime Minister Nika Gilauri said he expected new MCC aid package would be from at least USD 150 million to USD 250 million. He said that Georgia’s package of proposal for funding,

which has yet to be drafted, would include establishment of the Institute of Technology in Batumi, as well as rehabilitation of a road via Goderdzi pass, linking Samtskhe-Javakheti region with the Black Sea coast in Adjara Autonomous Republic and construction of, as the PM put it, “an American hospital” in Georgia. (Civil Georgia)

U.S. AMBASSADOR VISITS TAJIK-AFGHAN BORDER

18 March

The U.S. Ambassador to Tajikistan has said the United States is working with Russia and the European Union to strengthen control over Tajikistan's southern border with Afghanistan, RFE/RL's Tajik Service reports. Ambassador Kenneth E. Gross made the comment during a visit to the border at Nizhny Pyanj, in Khatlon province, on March 17. Gross inspected a bridge built with U.S. funding across the Pyanj river that marks the border and took part in a graduation ceremony for 24 Tajik and Afghan border guards and customs officers trained under a special program organized by the United States. Gross noted that Russian border guards were deployed for a long time along that border and Russian military advisers remain there. Speaking on March 17 in Dushanbe, Nikolai Bordyuzha, the secretary general of the CIS Collective Security Treaty Organization, said Afghanistan is incapable of neutralizing the threat posed to Central Asia by Islamic insurgents. He said for that reason, international forces should remain in Afghanistan as their withdrawal would create further problems for the entire region. (RFE/RL)

TURKMENISTAN SET TO ALLOW FOREIGN-EDUCATED GRADUATES TO WORK IN STATE BODIES

19 March

Turkmenistan's president told the government to start recognizing foreign educational qualifications, state television reported Saturday, indicating a

reversal of an isolationist policy that barred graduates of international universities getting state jobs. President Gurbanguli Berdimukhamedov said foreign-educated graduates are needed to carry out ambitious reform programs in the energy-rich Central Asian nation. Turkmenistan has for several years actively sought to prevent its citizens from pursuing studies abroad. Critics say the unofficial policy has left state bodies desperately lacking adequately qualified personnel, a shortcoming tacitly recognized by Berdimukhamedov. "Graduates should be provided with jobs, their skills are required for the implementation of ongoing large-scale reforms in the country," he said at a government meeting Friday. Some of the country's most widely attacked education policies date back to the rule of eccentric former President Saparmurat Niyazov, who died suddenly in late 2006. Under Niyazov, official recognition was only granted to degrees obtained at select foreign state universities. Under a government quota, 200 students per year have been allowed to study in universities that had sealed bilateral agreements with Turkmenistan. Berdimukhamedov has introduced limited educational reforms since coming to power, but Turkmenians have still actively been stopped from studying abroad. In 2009, Turkmenistan barred hundreds of students from leaving the country to take up courses at the American University of Central Asia, in Kyrgyzstan, and the American University in Bulgaria. The American University of Central Asia in Kyrgyzstan has traditionally been particularly popular with Turkmen students as it offers Western-style education and is located relatively close to their home country. Rights activists say the government's strict rules on education are part of a broader attempt to maintain a tight ideological hold over the population. (AP)

PRESIDENT NAZARBAYEV CONGRATULATED KAZAKHSTAN ON NAURYZ HOLIDAY

22 March

The President of Kazakhstan Nursultan Nazarbayev congratulated Kazakhstan citizens on the coming Nauryz holiday when delivering speech in honor of Nauryz meyrany on the square near Kazakh Eli monument, Kazakhstan Today reports. "Taking the opportunity I would like to congratulate the residents of Southern Kazakhstan and all Kazakhstanis on the holiday of Nauryz, wish spring mood, a good year, happiness, peace and well-being to each family", N. Nazarbayev said,

Kazinform reported. "This great holiday is called the Great day of people for a reason," the President stressed. He outlined that Nauryz is a holiday of renewal, friendship and warmth. This day the Kazakhstanis congratulate each other on New Year, hold various festive events. The head of state reminded that the Kazakhstanis celebrate Nauryz holiday in the year of 20th anniversary of independence. "20 years ago I decreed Nauryz meyrany as a public holiday," the President said emphasizing that Nauryz meyrany became an international holiday in accordance with the UN decision. (Kazakhstan Today)

TWO MILITANTS KILLED IN DAGESTAN'S COUNTERTERRORIST OPERATION

22 March

Two militants who are believed to murder a bailiff in Dagestan late on Monday were killed in a counterterrorist operation, the investigative committee told Itar-Tass on Tuesday. During the operation police blocked a private house with three militants inside in the village of Kani, Dagestan's Kulinsky district, who opened fire when asked to lay down arms. Two militants were killed in the shootout. The investigation is underway. Police take efforts to detain a third militant. The body of a 33-year-old bailiff Gadis Bagdayev with gunshot wounds was found near his car on a road between the villages of Shara and Shovkra, the Laksky district, late on Monday. Soon after this police tracked down the criminals, who were blocked in a private house in the village of Kani. (Itar-Tass)

BAKRADZE ON 'GRADUAL SECTORAL INTEGRATION WITH EU'

23 March

Georgia's eventual goal is membership in the European Union, but it is not on the government's immediate agenda, Davit Bakradze, the Georgian parliamentary speaker said, adding that the authorities were instead making focus on "gradual sectoral integration" with EU. "Eventually we see our place in Europe; it also means being part of the [EU's] political institutions," he told the NATO Parliamentary Assembly's 76th Rose-Roth Seminar, which opened in Tbilisi on March 23. "But we understand that at this point talking about immediate membership into the political institutions may be counterproductive, because we understand that EU is in a difficult situation in itself and at the moment there are lots of internal problems which EU has to deal with. So we do not

put this issue on the agenda," Bakradze said. "Our strategy is little bit different. Our strategy is gradual sectoral integration [with EU]," Bakradze said, adding that part of the strategy was Georgia's integration to EU's economy through free trade agreement.

He also said that deepening links in various sectors would eventually "make it much easier to speak about further political integration." (Civil Georgia)

RUSSIA AND KYRGYZSTAN IN DISPUTE OVER AIRBASE

23 March

Russia and Kyrgyzstan are wrangling over Russia's Kant Airbase in the former Soviet republic. Kant is Russia's first international military facility established after the Soviet Union collapsed in December 1991.

Kyrgyzstan is the only post-Soviet country to host both a Russian and U.S. airbase. Besides the former, the United States has access to the Manas Transit Center near the Kyrgyz capital Bishkek. The disputes include fuel deliveries to the base.

Following a two-day working visit by Kyrgyz Prime Minister Almazbek Atambayev to Moscow, Russia lifted its Kyrgyzstan export duties on petroleum products. In return, the Kyrgyz government agreed to free Russia from paying rent for the Kant military base, Kazakh Zerno reported Wednesday. The issue of Russia's ongoing military presence in Kyrgyzstan has been contentious. Russian Ambassador to Kyrgyzstan Valentin Vlasov said, "The issue of a unified Russian military base in the republic was considered at Kyrgyz Prime Minister Almazbek Atambayev's negotiations in Moscow on March 18 and there were different opinions." Atambayev said, "The (Russian) military base is needed in Kyrgyzstan. Russia is our strategic partner. We share a common past and common future and this year we will celebrate a number of significant events, such as 150 years of voluntary accession of Kyrgyzstan to the Russian empire.

"This arrangement is not about money. Through the elimination of customs duties on petroleum products imported into the country, we could save more than \$200 million." Kyrgyzstan and Russia have been discussing the administration of the Kant Airbase with two other Soviet-era military facilities controlled by Russia within the two nations' membership of the Collective Security Treaty Organization, with Russia proposing concluding a rent agreement for 49 years with a possible 25 year extension with a clause prohibiting the abrogation

of the agreement. Noting the difficulty of the negotiations Vlasov told journalists, "Kyrgyzstan is not agreeing to accept this deal in its current form, citing international experience and its record of concluding agreements but we are saying: 'Let's not make a decision tomorrow but let's not drag it out either.'" The U.S. base outside Bishkek has also frequently been a source of contention. Since its establishment in late 2001 the Manas Transit Center has come to play an increasingly important role in provisioning the more than 100,000 U.S. troops serving in Afghanistan in Operation Enduring Freedom, which began a decade ago. (UPI)

ISLAMABAD WANTS ENERGY TIES TO UZBEKISTAN

25 March

Islamabad aims to buy surplus electricity from neighboring Uzbekistan under a series of bilateral trade initiatives, the Pakistani prime minister said. Pakistani Prime Minister Syed Yousuf Raza Gilani met in Tashkent with his Uzbek counterpart Shavkat Mirziyoyev to sign various memorandums of understandings on trade. Gilani said the emphasis on the trade initiatives was on further cooperation in the energy sector. Islamabad is keen to buy more electricity from Uzbekistan to allay energy issues at home, Pakistan's International News Network reports.

The countries could also work closely in the oil and natural gas sectors, he added. Islamabad is undertaking a broad-reaching strategy that includes domestic oil and natural gas production, renewable energy options and gas pipelines from its Asian neighbors. The government handed out nearly 40 licenses to foreign and domestic companies for work in Pakistan. Islamabad is pursuing two natural gas pipelines from neighboring countries. A pipeline from the South Pars gas field in Iran could start carrying gas by 2012 and another from Turkmenistan could start deliveries in 2015. (UPI)

HUNGER STRIKE BEGINS IN REFORMATORY SCHOOLS IN KYRGYZSTAN

25 March

A massive hunger strike began in six reformatory schools of Kyrgyzstan on Friday, a representative of the Kyrgyz State Service for the Execution of Punishment told Itar-Tass. "Four of those six reformatory schools are maximum-security institutions," he said. According to his information, the inmates are demanding the improvement of

living conditions. The State Service reports that the protest action was planned in advance and was organised by “negatively-minded inmates.” At the same time, officers of the Kyrgyz law enforcement agencies say with reference to the current information, that the hunger strike is the result of the activation of police efforts, aimed at destroying organised crime groups. Some 100 active members of the organised crime groups were arrested by the Kyrgyz police over the past three months. Several days ago the police confiscated a money reserve of the crime groups in a privately owned house, in the outskirts of Bishkek. It amounted to 20,000 dollars in various currencies. The personnel of the State Service for the Execution of Punishment was put on high alert in connection with the incident. A special task group was created for settling the conflict. Representatives of the Service say that they have enough resources for bringing the situation back to normal. Massive riots of inmates took place in some reformatory schools of Kyrgyzstan five years ago, but they were rigorously suppressed by the special task force of the Service and the Interior Ministry. (ITAR-TASS)

GERMAN DEFENCE MINISTER VISITS AFGHANISTAN

26 March

Germany's Defence Minister Thomas de Maiziere arrived in Afghanistan for a two-day visit Saturday, the day after lawmakers in Berlin backed providing German crews for surveillance planes there, his office said. It was de Maiziere's first trip to Afghanistan since taking over from Karl-Theodor zu Guttenberg, who quit in disgrace on March 1. The German parliament Friday agreed to a NATO request to supply air crew for AWACS aircraft operating in Afghanistan to free up NATO resources for enforcing the no-fly zone in Libya. Germany is the third-largest provider of troops to the International Security Assistance Force in Afghanistan in a mission that polls show is deeply unpopular at home. Berlin decided not to participate in the military action against Moamer Khadafi's regime and abstained on the United Nations resolution that established the no-fly zone. Parliament decided up to 300 German servicemen can be deployed to operate the Airborne Warning and Control System (AWACS) planes as long as the 5,350-troop limit on Germany's Afghanistan contingent is not exceeded. De Maiziere's ministry said he would have talks during his stay with Afghan President Hamid Karzai and the

commander of the international forces battling the Taliban insurgency, General David Petraeus. (AFP)

TURKMEN PRESIDENT ARRIVES IN IRAN **27 March**

Turkmen President Gurbanguly Berdimuhammadov has arrived in the Iranian capital, Tehran, to attend a ceremony celebrating Nowruz, which marks the beginning of the new Iranian calendar year, Press TV reported. Upon his arrival on Sunday, the Turkmen president, who is heading a high-ranking delegation, was welcomed at Tehran Mehrabad International Airport by Iranian Minister of Housing and Urban Development Ali Nikzad. Presidents of Afghanistan, Iraq and Tajikistan are also in Tehran to take part in the International Nowruz Celebrations along with senior officials from 20 countries. On Saturday, Iranian President Mahmoud Ahmadinejad held separate meetings with the Afghan, Iraqi and Tajik chief executives, the Pakistani speaker of the National Assembly, the Secretary General of Economic Cooperation Organization (ECO), the Indian health minister, the vice president of Zanzibar and the Kyrgyz culture minister. High-ranking officials from the Persian-speaking states of Tajikistan and Afghanistan will join representatives from the countries that celebrate Nowruz such as Turkmenistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Iraq, Albania, and Turkey. The International Day of Nowruz was registered on the UNESCO List of the Intangible Cultural Heritage of Humanity on February 23, 2010. (Trend)

KAZAKH ACTIVISTS MARCH IN ASTANA AGAINST ELECTIONS

28 March

Dozens of civil rights and opposition activists from across Kazakhstan marched in Astana today to protest the upcoming early presidential election, RFE/RL's Kazakh Service reports. The rally is the latest in a series of protests against the April 3 election that is all but certain to return incumbent Nursultan Nazarbaev to power. Opposition parties and movements have been calling on voters to boycott the poll, calling it "a tool to illegally prolong Nazarbaev's term in office again" and complaining that they had no time to launch a proper campaign. The protesters today demanded to meet Nazarbaev in order to hand over a petition urging him to call off the election.

They gathered first near Bayterek Tower in central Astana before marching towards the president's

residence led by opposition leader Zhasaral Quanyshalin. Dozens of police blocked their way to the presidential residence. When the protesters started chanting "Nazarbaev, Come Out!" police gave them a verbal warning, but allowed Quanyshalin and four other activists to approach. They later told journalists that their petition was accepted in the presidential chancellery. The petition was initiated by the "Let Us Defend The Constitution" public committee, the protesters say. Nazarbaev, 70, who has been running Kazakhstan for more than 20 years, called the snap poll earlier this year almost two years ahead of time. Three other candidates officially registered by the Central Election Commission are pro-presidential politicians, considered "pocket candidates" by the opposition. (RFE/RL)

AZAL: ARMENIA HAS NO RIGHT TO OPERATE AIRPORT IN KHANKENDI

28 March

Armenia has no right to operate the airport in Khankendi, built in the Azerbaijani occupied territories. This contradicts all international conventions and will not be allowed by any international organizations, including an influential organization such as the International Civil Aviation Organization (ICAO), AZAL spokesman Maharram Safarli said on Monday. It is necessary to obtain relevant documents and approval from the ICAO to operate the airport. Azerbaijan has already informed the organization about inadmissibility of carrying out flights from this airport. The Armenian side plans to open the airport in Khankendi in May. (Trend)

CONTRACT SERVICEMAN KILLED IN DAGESTAN

28 March

A contract serviceman of the Interior Troops of the Russian Interior Ministry was killed in Dagestan's Kizlyar region. According to the information of the Interior Ministry, "unidentified people shot a serviceman in the yard of his own house at about 23.45 Moscow time on Sunday. He died from bullet wounds on the spot." Thirty cartridge-cases of 7.62 mm calibre and nine cartridge-cases of 9 mm calibre were found at the site of the incident. According to the preliminary information, two criminals were involved in the attack. A search for them is being held. Criminal proceedings were instituted. (Itar-Tass)

SENIOR ADVISOR TO AFGHAN PRESIDENT CHARGED WITH EMBEZZLEMENT

29 March

Afghanistan's attorney general today announced that a senior adviser to President Hamid Karzai has been arrested on embezzlement charges. The arrest of Noorullah Delawari is the second this week of an Afghan official or former official from Karzai's government. On March 28, the attorney general's office said Enayatullah Qasimi was being charged with mismanagement of public funds. Qasimi was Karzai's transportation minister from 2004 to 2006. Those charges are linked to his approval of contracts during 2004 for the purchase of four aircraft for the state-owned Afghan Ariana airlines. Prosecutors say the government was overcharged \$9 million for the planes. (RFE/RL)

TALIBAN FIGHTERS SEIZE DISTRICT IN AFGHANISTAN'S REMOTE EAST

29 March

Taliban insurgents seized a district in Afghanistan's remote northeast after a brief battle with police, provincial officials said on Tuesday, underscoring the difficulty Afghan and foreign forces face in securing the increasingly violent region. Hundreds of Taliban fighters had captured the Waygal district center in mountainous Nuristan province in the pre-dawn hours on Tuesday, said Mohammad Zarin, a spokesman for the provincial governor. Nimatullah Mazabyar, the head of the Nuristan provincial council, also confirmed sparsely populated Waygal was under control of insurgents. Zarin said government forces were being prepared to launch a counter-offensive to retake the district. Violence in Afghanistan has spiraled in the past year, with Taliban-led militants stepping up their fight against the Afghan government and its Western backers as Kabul prepares to take security responsibility gradually from foreign forces. In a statement emailed to the media, Taliban spokesman Zabihullah Mujahid said the Islamist militants had hoisted their flag in the district center and that 12 policemen had been captured, along with arms and ammunition. Mujahid said the success of the operation would prove wrong recent remarks by U.S. General David Petraeus, commander of all foreign forces in Afghanistan, that NATO-led troops had made gains against the Taliban and other insurgents. Nuristan and neighboring Kunar province have witnessed an increasingly violent struggle as insurgents spread out of traditional Taliban strongholds in the south over the past two

years. They are close to the porous border with Pakistan, across which insurgents launch attacks from safe havens in Pakistan's largely lawless tribal areas in the northwest. Last week, the Taliban abducted about 50 police recruits during an ambush in Kunar's Chapa Dara district. The policemen were stationed in Waygal but went through Kunar to collect their salaries. Taliban fighters and other insurgents have seized other districts in Nuristan and Kunar in the past, only to abandon them before security reinforcements arrived. (Reuters)

ABKHAZIA RELEASES PRELIMINARY CENSUS RESULTS

29 March

Population of Abkhazia stands at 242,826, according to preliminary figures of a February census released by the breakaway region's statistics office on March 28. According to the previous census, held in Abkhazia in 2003, about 214,000 people lived in the breakaway region. The figures, however, have always been a source of controversy with various estimates ranging from 180,000 to 220,000. Based on number of voters registered in Abkhazia for 2005 elections, the Brussels-based think-tank International Crisis Group suggested that population in Abkhazia was between 157,000 and 190,000. The breakaway region's statistics office said that final results of 2011 census, including ethnic breakdown of the population would be available by the end of this year, according to the Abkhaz news agency Apsnipress. The preliminary results provide breakdown of population by the region's districts and towns with capital Sokhumi representing the largest one with 64,478 people (plus 12,000 people living in rural areas, which are part of the entire Sokhumi district). 30,437 people reside in predominantly ethnic Georgian populated district of Gali, according to the released figures. Breakdown of population by other districts is as follows: Gagra district - 39,342; Gudauta district - 37,143; Ochamchire district - 25,235; Gulripshi district - 18,146 and Tkvarcheli district - 16,000. (Civil Georgia)

EX-GEORGIAN MP TO STAND TRIAL

29 March

Ex-Georgian MP Sandro Bregadze, who is accused of hooliganism, will today stand trial. He is currently kept in an investigation center in Tbilisi. Bregadze is accused of starting a brawl at a petrol station in Tbilisi in February. According to information, the incident took place between

Bregadze and an employee of a Visol gas station on Vaja Pshavela Avenue. Earlier, the Tbilisi City Court sentenced Bregadze to pretrial detention for 40 days. He was found guilty of hooliganism involving firearms. The court refused an appeal to release the accused on bail of 3,000 lari (\$2,100). Bregadze left the Freedom party of Konstantine Gamsakhurdia in 2010 and was going to organize a new political union with the former party members, who also left the Freedom Party. Currently, Bregadze is not a member of any political party. (Trend)

RUSSIA'S BIN LADEN DEAD?

29 March

Doku Umarov, the man dubbed the Chechen version of Osama bin Laden, may have been killed in an attack by Russian forces, a regional leader suggested. Russian investigators announced Tuesday that charges were filed against Umarov and others for organizing the January attack at the Domodedovo Airport in Moscow. The attack killed more than 30 people at the busy terminal. Moscow said those charged for the January attack could face up to 20 years in prison if convicted, state-run news agency RIA Novosti reports. More than a dozen rebels in the Chechen region were killed in an attack on a suspected terrorist training camp in Ingushetia. Leaders of the republic suggested Umarov may be among those killed, though there was no official confirmation and none of the bodies were identified, the Russian report adds. Umarov claimed responsible for the 2010 bombing of a Moscow subway station that killed 40 people. False reports of his death circulated early this year following airstrikes in Chechnya.

Russia's predominantly Muslim North Caucasus republics Chechnya, Dagestan and Ingushetia have seen an upsurge of violence recently. Russia has been fighting the insurgency for many years following two bloody conflicts in Chechnya in the 1990s. (UPI)

TURKEY SUPPORTS AZERBAIJAN'S POSITION OVER AIRPORT TO BE BUILT IN OCCUPIED KHANKENDI

30 March

Turkey supports Azerbaijan's position over an airport to be built by Armenia in the Azerbaijani occupied region of Khankendi, as this contradicts all international conventions. "We have always supported Baku's position," Turkish Ambassador to Azerbaijan Hulusi Kilic told journalists on

Wednesday. "We are always close to Azerbaijan in all spheres and support its right fight. This issue must be addressed in the framework of the international law."

Kilic believes no steps disturbing Azerbaijani people must be taken. Armenia has no right to operate the airport in Khankendi, built in the Azerbaijani occupied territories. This contradicts all international conventions and will not be allowed by any international organizations, including an influential organization such as the International Civil Aviation Organization (ICAO), AZAL spokesman Maharram Safarli said on Monday. It is necessary to obtain relevant documents and approval from the ICAO to operate the airport. Azerbaijan has already informed the organization about inadmissibility of carrying out flights from this airport. The Armenian side plans to open the airport in Khankendi in May (Trend)

AFGHAN PRESIDENT CONDEMNS U.S. "KILL TEAM"

30 March

Afghan President Hamid Karzai spoke out publicly today for the first time about a rogue U.S. army unit accused of deliberately killing Afghan civilians for sport. Karzai said he wants to ensure that ordinary Americans learn that "Afghans old and young [were] being oppressed in their name" by the alleged rogue "kill team" that is accused of murdering Afghan civilians and mutilating their corpses. "Rolling Stone" magazine this week published a series of graphic images and a long story, including extensive details of allegations against the U.S. soldiers. Karzai, who says he read the article, described the report as "heart-rendering." The U.S. military has apologized, while the Pentagon said the photographs were "in striking contrast to the standards and values of the United States Army." Altogether a dozen U.S. soldiers are accused in connection with the killings. (RFE/RL)

UZBEKS SHUT RELIGIOUS BOOKSTORES

30 March

Uzbek security services have closed down bookstores specializing in religious literature in Tashkent, RFE/RL's Uzbek Service reports. Twenty bookstores in the Kitoblar dunyosi (World of Books) book trading center have been raided by Uzbek National Security Service (NSS) agents, police, tax officers, and representatives of the government Committee for Religious Affairs in the past week and closed. Kitoblar dunyosi was the only

place allowed to sell books on religion, primarily on Islam and mainly published in Uzbekistan. A source close to the bookstores' owners who saw one of the raids told RFE/RL that officials were searching for specific Islamic books that were no longer published in Uzbekistan. He said that storeowners believe the exercise was directed against the sale of all kinds of religious literature. Photos sent to RFE/RL show the door to one of the stores, Flinta Books, taped shut with a paper seal bearing the signatures of an Interior Ministry officer, an NSS officer, and the store's director. There has been no official comment on the raids. The U.S. State Department's 2010 report on religious freedom says that in Uzbekistan possession of literature by authors deemed to be extremists, or of any literature illegally imported or produced, may lead to arrest and prosecution. The government categorically prohibits leaflets on the banned group Hizb ut-Tahrir and literature on Nur, a Turkish Muslim group deemed extremist. The Committee for Religious Affairs (CRA), a government agency accountable to the Cabinet of Ministers, must approve all religious literature. According to RFE/RL's source, bookstore owners were selling only books approved by the state. Local human rights activists say authorities have intensified their already tight grip on religion in the wake of the recent antigovernment uprisings in the Middle East. Employees in various sectors have reported they have come under pressure not to perform the five daily Muslim prayers, including Friday Prayers, during working hours. Women working in offices and markets have complained they are being told by employers not to wear the hijab, or Islamic head scarf. At the same time, the government is continuing its crackdown on what it calls radical groups willing to overthrow the constitutional order.

Human rights groups have criticized the authorities, saying many people have been labeled "extremists" and jailed for peacefully practicing their religion. The government is also getting tougher on activities such as proselytizing and importing and disseminating religious literature. Officials have confirmed around 15,000 Bibles have been confiscated in the past year. On March 13, Uzbek police raided a Sunday worship service led by Baptists in a retirement home in Tashkent. According to the Forum 18 News Service, police claimed they were on a counterterrorism operation and are preparing a criminal and administrative case against the Baptists. (RFE/RL)

INMATES IN KYRGYZ PRISONS STOP HUNGER STRIKES

30 March

Inmates at Kyrgyz prisons have stopped the mass hunger strike, which began on March 25, the State Penitentiary Service (GSIN) of the republic told Itar-Tass on Wednesday. "The authorities have been educating the participants during the protest all this time. As of now, all the inmates have begun to take meals and are complying with the regulations," GSIN said. Unofficial reports said the action involved almost 80 percent of inmates. The hungerstrike was staged in 11 penitentiaries and six remand prisons. The children's and women's penitentiary did not participate. GSIN officials said the inmates had brought forward a number of demands, including better prison conditions, quality medical assistance and an end to reprisals of criminals by the law-enforcement bodies. Relatives of the inmates rallied in Bishkek's central square to support their kin. The participants insisted on a meeting with Prime Minister Almazek Atambayev and even tried to force their way into the building accommodating the government. However, police prevented them from entering. Indignant at these actions, Kyrgyzstan public representatives threatened to call an alternative rally and demanded that the authorities toughen the penalty for criminals. Kyrgyzstan's Interior Ministry reported that police had detained 125 criminals in the past few months. During the hungerstrike, the Interior Ministry, together with GSIN, were working on a plan to intervene by using force. During mass riots

in Kyrgyz prisons five years ago, several people were killed. Law-enforcement bodies suppressed the mutiny by tough actions. (Itar-Tass)

THREE JAILED FOR ATTACK ON KAZAKH OPPOSITION ACTIVISTS

30 March

Three young men have been jailed for seven days for attacking Kazakh opposition activists protesting next month's presidential election, RFE/RL's Kazakh Service reports. The three, all aged 19, were found guilty of hooliganism on March 29 over the March 11 incident in the northern city of Pavlodar. The trio attacked a group of activists from the unregistered Algha (Forward) party as they headed to the city center to take part in a flash mob. The chairwoman of Algha's branch in Pavlodar, Perizat Qasymova, told journalists that the three cut several balloons the activists were holding. The balloons had inscriptions saying "I will not go to the polling station!" The attackers also insulted the activists verbally, threatened to beat them, and tried to break a video camera they had with them. Algha has been holding various gatherings calling on voters to boycott the April 3 early presidential election. President Nursultan Nazarbaev, 70, who has been running the country for more than 20 years, called the snap poll earlier this year almost two years ahead of schedule. Opposition groups have criticized the early election as "a tool to illegally prolong Nazarbaev's term in office again," and are calling for a boycott. (RFE/RL)



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