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Wednesday/October 6, 2004

ANALYTIC ARTICLES:**PAKISTAN'S ECONOMIC REBOUND IS STRONGLY DEPENDENT ON INVESTMENT FLOWS.....3***Peter Laurens*

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KAZAKHSTAN HOLDS ELECTIONS FOR A NEW PARLIAMENT.....5*Robert M. Cutler*

On September 19, Kazakhstan held the first round of elections for a new Majilis (lower parliamentary body). Second-round run-offs are being held on October 3, but the first round already established the contours of the complete results. In addition to parties formed around the persons of President Nursultan Nazarbaev (Otan) or his daughter Dariga Nazarbaeva (Asar), the technocratic Democratic Choice of Kazakhstan (DCK) and Ak Zhol, which emerged from it, were among those running candidates. The conduct of the elections was better than in other Central Asian states, but exit polls were diverged markedly from the official results, which give Otan a majority in the chamber. Important structural impediments to de-authorization and democratization remain, but they are not insurmountable. However, the longer reform is delayed, the more endemic they will become.

COULD THE 'DEAL OF THE CENTURY' STILL LIVE UP TO ITS NAME?.....7*Pavel K. Baev*

On 20 September 2004, Baku staged major celebrations, with Turkish President Ahmet Necdet Sezer and Prime Minister Recep Tayyip Erdogan and Georgian president Mikhail Saakashvily present among the guests of honor. The cause for the festivities was the tenth anniversary of the first contract on delivering the Azerbaijani oil to the world market, dubbed 'the deal of the century' by the late president Heydar Aliyev. Many expectations were frustrated during this decade but the fast-approaching inauguration of the Baku-Tbilisi-Ceyhan (BTC) pipeline could make good on many of the old promises.

WHAT COMES AFTER BESLAN?.....9*Stephen Blank*

Immediately after the tragedy at Beslan the Russian government sought international assistance, support, and recognition of the fact that it was fighting international terrorism. Yet it simultaneously blasted Western criticism of its war in Chechnya, and justified a doctrine of striking preemptively against terrorists, which threatened primarily Georgia. President Putin also introduced new "reforms" into Russian politics. These so-called reforms essentially terminate federalism in Russia while also recreating the unitary state and the Tsarist practice, taken over by the Soviets, of naming all provincial governors and legislators governments from Moscow.

FIELD REPORTS:**KAZAKHSTAN AND ITS NEIGHBORS DIVIDED ON WATER MANAG EMENT.....4***Marat Yermukanov***IS KYRGYZSTAN'S RULING REGIME ON THE VERGE OF FAILURE?.....6***Aijan Baltabaeva***SECURITY REMAINS A WORRY AS AFGHAN ELECTION CAMPAIGN UNFOLDS.....8***Daan van der Schriek***RUSSIAN-AZERBAIJAN RELATIONS SUFFER AFTER THE BESLAN ATTACK.....10***Fariz Ismailzade***NEWS BITES.....11**

EDITORIAL PRINCIPLES

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

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Analytical Articles:

Analytical articles require a three to four sentence 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.

Analytical article structure:

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

BACKGROUND: 200-300 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: 200-300 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.

Specifications for Field Reports:

Field Reports focus on a particular news event and what local people think about the event, or about the work of an NGO. Field Reports address the implications the event or activity analyzed has for peoples' lives and their communities. Field Reports do not have the rigid structure of Analytical Articles, and are shorter in length, averaging ca. 500-700 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: svante.cornell@pcr.uu.se and suggest some topics on which you would like to write.

Svante E. Cornell, Editor
 Central Asia-Caucasus Analyst
 Central Asia-Caucasus Institute
 The Johns Hopkins University
 Paul H. Nitze School of Advanced International Studies
 1619 Massachusetts Ave. N.W.
 Washington, D.C. 20036
 Tel. +1-202-663-7712; 1-202-663-7721
 Fax. +1-202-663-7785; 1-253-550-4390

PAKISTAN'S ECONOMIC REBOUND IS STRONGLY DEPENDENT ON INVESTMENT FLOWS

Peter Laurens

Last week, it was announced that Pakistan and the U.S. would begin talks on a new Bilateral Investment Treaty (BIT). The BIT framework obligates each party to provide equal treatment to foreign and domestic investors, and breaks down impediments to the free flow of capital between the two signatory nations. This announcement is the latest in a series of positive developments for Pakistan's economy over the past few years, and shows that the U.S. aims to promote Pakistan as a viable trade and investment partner. The path to such future negotiations has arguably been paved by Pakistan's successful placement of a new US\$500 million eurobond with global investors earlier this year, its first such issue in almost seven years.

BACKGROUND: At the time of General Pervez Musharraf's coup in October 1999, Pakistan's economy was reeling from the combined effects of a USD 39 billion foreign debt burden and the economic sanctions imposed as a reaction to the country's nuclear tests in 1998. The country's hard currency reserves were nearly nonexistent, barely enough to cover two weeks' worth of imports. The government came close to default.

This predicament contrasts remarkably with the country's economic and fiscal situation as 2004 draws to a close. Marked by a fairly comprehensive privatization program as well as by prudent fiscal and monetary policy aimed at rationalizing tax collection and reining in inflation, the structural reforms initiated by the new government had a markedly positive effect on economic growth. The rebound in the economy started in earnest in late 2002, and GDP is forecast to grow by 5.5% over fiscal 2004 and by 5.8% over fiscal 2005. The global economic recovery also has helped Pakistan's GDP, in two ways; by increasing remittances from Pakistanis working abroad and by stimulating demand for Pakistan's exports, which rose over 19% to US\$11 billion over fiscal 2003. In addition, in exchange for increased cooperation in operations against terrorism, the U.S. has to-date eased Pakistan's fiscal burden by writing off nearly US\$1.5 billion of Pakistan's debt to the U.S.

All this has enabled Musharraf's government to retire large amounts of its high-cost foreign debt. From the end of 2000 to the beginning of 2004, foreign debt held by the public sector declined from 55% of the country's GDP to an estimated 42% of GDP. Yearly debt service, which according to the finance ministry consumed 50% of Pakistan's government revenue in 2001, fell to 27% of revenue by the end of 2003. Indeed, by early 2004 Pakistan's financial authorities felt confident enough to indicate to the IMF that they would no longer need to ask for a renewal of the country's current Poverty Reduction and Growth Facility, or PRGF. Concurrently, in February of this year, Pakistan's reentered the global capital markets, when it issued its first eurobond in over half a decade. The five-year, USD 500 million deal generated considerable interest among global investors, particularly in Europe and Asia, and was several times oversubscribed.

IMPLICATIONS: By coming to market in early 2004, Pakistan chose a fortuitous time to issue new debt. The country's economic rebound was strong enough to convince the authorities that they could return to the global capital markets and give less priority to financing through multilateral creditors. Although the proceeds of the bond were to be used to retire higher-cost foreign debt, the government's desire to use the global bond markets to send a signal to investors as well as to foreign governments that Pakistan's economy had progressed enough to enter into serious financial and trade commitments was arguably more important.

Nevertheless, there are two other factors involved in the success of the eurobond issue. First, Pakistan's credit ratings, B2 by Moody's and B by Standard & Poor's, are a full five notches below investment grade—near the bottom of the credit ratings scales—and investors might have required a relatively high coupon to compensate them for the increased risk implied by purchasing the bonds of a highly indebted country. However, with benchmark U.S. Treasury interest rates at low levels not seen in three decades, Pakistan was able to attract investors with a lower coupon than would otherwise have been the case, given the country's high absolute levels of debt.

Second, the strong investor demand for the new bond deal, greatly in excess of the issue size, made it possible for the banks running the deal to price the bond at a much lower yield than would have been feasible if demand had been lower. Indeed, the new five-year bond was priced at 3.7 percentage points above U.S. Treasury securities of comparable tenor, to yield a mere 6.75% – a lower yield than the bonds of countries with higher credit ratings, such as the Philippines. If a nation can issue a bond to yield less than its risk profile would merit, it is likely that demand for the bond is being generated by factors other than investors' perceptions of the issuer's fundamental creditworthiness. In the case of Pakistan's new bond, the strong demand was a direct consequence of the tangible financial and political support for Pakistan provided by the United States in the wake of the September 11, 2001 terrorist attacks in the U.S. In addition to other kinds of assistance, in late 2002 the U.S. led negotiations to reschedule US\$12.5 billion of Pakistan's Paris Club debt, and in April 2003 wrote off 1 billion of the

US\$3 billion in bilateral official debt owed to it by Pakistan. These actions sent a clear signal to the international capital markets that the United States judged Pakistan to be “too important to default,” for geostrategic reasons.

CONCLUSIONS: Looking forward, the main question for Pakistan is how to attract more permanent investment flows and create a system to keep GDP growth levels above the level of population growth. Critics of Musharraf’s regime, most prominently ex-Prime Minister Benazir Bhutto, allege that many positive developments in the country’s economy since Musharraf’s rise to power, such as the large growth in foreign exchange reserves and the reschedulings and write-offs of external debt, “have been due to Pakistan’s emergence as a key ally of the West in the aftermath of Sept. 11, which has resulted in enormous handouts.” Moreover, efforts to attract foreign direct investment (FDI) to Pakistan continue to be stymied by deep systemic problems in the country, such as the low education level of much of the workforce, sectarian violence, poor infrastructure and a lack of fair treatment in the country’s judicial system. Privatizing the

larger state-owned enterprises for example, has proven difficult. As a result, FDI to Pakistan, at around US\$490m over 2003-2004, is still considerably below the US\$1bn level of 1995-1996.

Regardless of who or what is ultimately responsible for the many recent improvements in Pakistan’s economic outlook, the government itself undeniably laid the groundwork for higher GDP growth through its efforts at putting the country’s fiscal house in order. Likewise, by issuing a eurobond this year, the government played a key role in reintroducing Pakistan to international investors; this is generally an effective strategy for stimulating trade and investment overall. It is worth bearing in mind however that while portfolio investment can be a harbinger of FDI, it is not a substitute for it. Pakistan’s economic recovery must now be sustained through further structural reform, which only the government is in a position to provide.

AUTHOR BIO: Peter G. Laurens is Senior Analyst, Fixed Income Credit Analysis at FH International Financial Services, Inc.

KAZAKHSTAN AND ITS NEIGHBORS DIVIDED ON WATER MANAGEMENT

Thousands of small farms in South Kazakhstan have been affected by scarce rainfall this summer. Part of the problem stems from the long-standing disputes between Kazakhstan and other Central Asian countries over the use of cross-border rivers. At the end of September experts from Central Asia gathered in Almaty for a conference sponsored by the Asian Bank of Development to find a common ground on water resources.

The Almaty conference on trans-border rivers produced little to encourage the governments of Central Asian states to deepen the cooperation on projects agreed on earlier. It should be reminded that as far back as in 1997, the countries of the region reached a verbal agreement on the creation of an International Water and Energy Consortium. But that scheme did not progress an inch to this day. Central Asian states made a spectacular step to rescue the drying up Aral Sea and set up an International Fund and an Intergovernmental Water Resources Coordinating Commission. However, ambitions of independent countries and the lack of common interests prevented all these well-conceived projects from being materialized.

As Asian Development Bank official Ashraf Malik pointed out, in Central Asia more than anywhere else in the world, the solution to water management problem stands out as a top priority. The past decade has shown that the attainment of a compromise between Central Asian countries is not so easy as it can be imagined. The rows over depleting water resources have been flaring up between mountainous countries Tajikistan and Kyrgyzstan for many years. Uzbekistan and Turkmenistan also see no end to their disputes over

water sharing. To complicate matters further, Turkmenistan announced it would not participate in the water management project. What alarms adjacent countries most is the planned construction of a huge water reservoir on the Karashor lowlands of Turkmenistan. It is not likely that Turkmenistan will abandon this project, considered vital for its agriculture, just because neighbors protest against it. In Central Asia, where intergovernmental relations are more often regulated by the law of jungle than by a reasonable consensus, states in the upstream river basins misuse water to their own advantage, making a common water policy almost impossible, at least for the time being.

Kazakhstan, largely dependent on water resources from Kyrgyzstan, this year has faced acute irrigation problems in the cotton- and rice-growing southern regions. While in winter months vast areas of Kyzylorda region were flooded by excess water discharged from Toktogul hydroelectric power plant in Kyrgyzstan which washed away the upper soil on 1,000 hectares, the summer was abnormally dry. As a result of the flooding recurring annually, 30,000 hectares were rendered barren since 2001. This year’s rice crop shrank to 36 quintals from 40 quintals last year. Rice producers complained that they failed to meet the target of 232,875 tons. Kazakhstan consumes 135,000 tons of rice annually, and 20 000 tons are exported, mainly to Russia and Belarus. Considering that the Kyzylorda region alone, with a population well over 600,000, consumes 60,000 tons of rice, this year’s agricultural output is quite miserable.

The mainly cotton-producing South Kazakhstan region was also hardly hit by water shortage. Last year, cotton growers sold their produce for the attractive price of 90,000 Tenge a ton. But this year the price plummeted to 40,000. The government is incurring heavy losses subsidizing water-intensive cotton production. In 2002, over 136 million Tenge were allocated from the national budget for the purchase of insecticides alone. This year the amount of subsidy went up to 441 million tenge. It’s like throwing sacks of money into a black hole. It is obvious to Agriculture Ministry officials that if water problem remain unsolved, Kazakh cotton will not be able to compete with cheap Chinese produce on the world market. They are desperately looking for ways of diversifying production to make it profitable. The minister of economy and budget planning Kairat Aitekenov disclosed recently that the ministry was considering the possibility of cooperating with Adidas Company. The minister of agriculture Akhmetzhan Yesimov went as far as to say that Kazakhstan was to set up a free economic space to boost the cotton industry in South Kazakhstan region.

But all these projects are easily said than done. The production of competitive high-quality cotton is a must for Kazakhstan which hopes to enter the World trade Organization. To achieve this objective, the government must come to terms with its neighbors. All countries would benefit greatly from genuine cooperative water management in the region.

Marat Yermukanov

KAZAKHSTAN HOLDS ELECTIONS FOR A NEW PARLIAMENT

Robert M. Cutler

On September 19, Kazakhstan held the first round of elections for a new Majilis (lower parliamentary body). Second-round run-offs are being held on October 3, but the first round already established the contours of the complete results. In addition to parties formed around the persons of President Nursultan Nazarbaev (Otan) or his daughter Dariga Nazarbaeva (Asar), the technocratic Democratic Choice of Kazakhstan (DCK) and Ak Zhol, which emerged from it, were among those running candidates. The conduct of the elections was better than in other Central Asian states, but exit polls were diverged markedly from the official results, which give Otan a majority in the chamber. Important structural impediments to de-authorization and democratization remain, but they are not insurmountable. However, the longer reform is delayed, the more endemic they will become.

BACKGROUND: In 1994 Kazakhstan elected its First (post-Soviet) Parliament, on the basis of the country's first post-Soviet constitution. It was dissolved very soon thereafter when, on the basis of accusation of electoral fraud by one anti-Nazarbaev candidate in a single electoral district, the Constitutional Court ruled the entire parliament to be illegal. President Nazarbaev then ruled by decree for over a year. Subsequent elections were held in 1995 and 1999. In 1999, The People's Unity Party of Kazakhstan amalgamated into the Otan (Fatherland) Party with some smaller pro-Nazarbaev parties. Two other pro-regime parties, the Civil Party and the Agrarian Party, formed out of smaller parties. These three became the largest parties: Otan gained 28 seats, Civil Party 19, and Agrarian Party 9.

Since then Dariga Nazarbaeva, the president's daughter and head of the country's dominant TV-and-press conglomerate, has formed the Asar party. Running candidates as well in 2004 was the dissident but regime-supportive party Ak Zhol, led by former deputy prime minister Oraz Dzhandosov. Ak Zhol was formed from out of the split of the Democratic Choice of Kazakhstan (DCK) movement after its two other leaders were sentenced to prison on charges widely viewed as politically motivated. In the present elections, DCK is running candidates in a bloc with the Communist Party of Kazakhstan (CPK), which does not descend even indirectly from the Soviet-era CPK. The Agrarian and Civic Parties together formed the AIST bloc for the 2004 elections.

Several days before the first-round parliamentary elections held on 19 September 2004, the Institute for Socioeconomic Information and Forecasts in Almaty announced the results of a pre-election poll that it had conducted. Predicting voter turnout at about 60 percent (in the event, it was around 56), the institute's head Sabit Zhusupov also said it would conduct exit polls on the day of the election encompassing no fewer than 400,000 voters (a tenth of the eventual turnout). A comparison between the pre-election poll and the exit poll is instructive. According to the exit poll, 32% cast ballots for Otan (28.1% in the pre-election poll), 20.9% for Ak Zhol (22.9), and slightly 17.6% for Asar (24.6). Zhusupov's exit poll gave the CPK/DCK bloc 8.7 percent, just behind the 9.6 percent received by the AIST bloc.

IMPLICATIONS: The official first-round results gave Otan 60.6 percent, followed by Ak Zhol with 12.0 percent, Asar with 11.4 percent, and AIST with 7.1 percent. (the law establishes a threshold of 7 percent to gain representation.) The 77-member Majilis is elected through 67 single-member constituencies and 10 seats elected by party lists. The law mandates a second-round run-off if no candidate receives 50 percent of the vote in a given constituency. Forty-five of the 67 deputies were elected in the first round, and of these 33 are from Otan, nine from AIST, and two from Asar with eight independents. Ak Zhol won representation only through the party-list voting, with one of the ten deputies elected by that method; Otan took seven of the others, with Asar and AIST each also taking one. Otan is thus guaranteed 40 of the 77 seats even before the second round takes place. The CPK/DCK bloc won no seats under either method.

The only member of Nazarbaev's cabinet to belong to either Ak Zhol or DCK, the Ak Zhol leader Altynbek Sarsenbaev, appointed July 12 as information minister (a post he held under Nazarbaev for much of the 1990s), resigned in protest against alleged widespread fraud. Russian and CIS observers have stated that the elections were satisfactory, while an official American statement has declared them to be more democratic than past elections in Kazakhstan. The OSCE report took note of improvements over 1999 but remained critical and gave detail of numerous shortcomings, including media bias and voter intimidation.

One positive factor favoring progress is the ongoing generational change in the Kazakhstani elite that empirical sociological research has established to be taking place. DCK embodies this inevitable movement; it and Ak Zhol grew out of the need for and constituency of younger and technocratic managers. Ak Zhol is well-connected among the ethnic Kazakh business elite that has emerged since independence. However, the extension of Ak Zhol's or DCK's influence and the prospect for ultimate political reform are complicated by the fact that procedures for political decision-making remain far from routinized and rationalized.

An aide to President Nazarbaev has recently opined that, on the basis of the announced results, Otan should be considered Kazakhstan's "ruling party" and be

institutionalized as such. It is not out of the question that a "one-party-dominant" system in Kazakhstan around a pro-presidential (rather than "ruling") party may lead to a genuine multiparty system that culminates in the legitimate alternation of another party in power: Mexico followed a similar pattern in the twentieth century. If that occurs, Kazakhstan's level of social and economic development suggests that it should not be necessary to wait, as did Mexico, many decades for this to come to pass. Also the cultural requisites for a multiparty system are better established in Kazakhstan. In India, the alternation in power of another party occurred in three decades after independence, a period only twice the present lifetime of sovereign Kazakhstan. Nevertheless, the present political system remains highly "presidential" with little substantive role for parliament. The question for Kazakhstan, under its present constitution, is whether the political executive will allow a multiparty system genuinely to emerge.

CONCLUSIONS: The greatest fundamental restraint on democratization in Kazakhstan is continuing restriction upon the growth of socio-economic strata interested in and capable of supporting real alternative parties. There is no growth in

Kazakhstan of an upper-middle-class to complement its emerging lower-middle-class. It is still easy to establish a modest small enterprise but much more difficult to expand into, or to establish outright, a more substantial medium-sized enterprise. This results from conscious policy decisions at the highest leadership levels. The second, and related, greatest problem is the absence of a public sphere. "Social opinion" exists in Kazakhstan but it would be incorrect to speak of "public opinion," because there are no regular public forums for social opinion to aggregate, manifest politically, and engage in dialogue with officialdom. That is due to the second greatest fundamental restraint: the distortion of the media system, which remains under the direct and indirect control of members of the president's family, not least the president's daughter Dariga Nazarbaeva, head of the Asar party.

AUTHOR'S BIO: Robert M. Cutler (<http://www.robertcutler.org>) is Research Fellow, Institute of European and Russian Studies, Carleton University, Canada.

IS KYRGYZSTAN'S RULING REGIME ON THE VERGE OF FAILURE?

The United States have clearly identified fair democratic elections as mandatory for legitimate power succession. Georgia stands out as a positive case, which like Kyrgyzstan does not have oil resources and depends on external financial inflows. Its President, Askar Akaev, is turning to Russia for support, but the Kremlin put terms for its support that Akaev is unable to easily accomplish.

The U.S. role in Kyrgyzstan is significant. It is the largest contributor to international donor organizations working in Kyrgyzstan. The activities of international organizations significantly reduce social tensions, granting support for local communities program. With a poverty level of up to 80%, grants turn out to be an important mechanism for stabilizing society. Representatives of the U.S. State Department and major donors to Kyrgyzstan earlier received a commitment from President Askar Akaev not to appear on the ballot and extend the term of his Presidency. At present, everyone expects the next step from the President.

In the past six months, Askar Akaev has appeared increasingly to look for support in Russia, as the number of bilateral visits has increased. Recently, the Bishkek-based Kyrgyz-Russian University was named after Russian ex-president Boris Yeltsin, and last year the turn came to a mountain peak. Often, representatives of the Kyrgyz presidential administration speak in adulating terms about Russia, declaring that "Russia is given by God and without it Kyrgyzstan could not exist".

Russia is capitalizing on Anatoly Chubais' strategy of economic imperialism, intended to establish hegemony over the region. Thus, at the recent meeting of the Shanghai Cooperation Organization held in Kyrgyzstan, Russia decided not to accelerate trade liberalization with China, given that Russia's position in Central Asia is still too weak to compete. Yeltsin, this year as he did last year, during visit to Kyrgyzstan declared the necessity for U.S. Aircraft to leave the territory of Kyrgyz Republic. President Akaev supported this statement, but soon enough announced that Kyrgyzstan "will never become a scene of rivalry between two great nations, but a scene of cooperation". It seems the Kremlin has a different point of view.

The western forces of the Antiterrorist Coalition deployed at the Ganci Air Base significantly contributes to the state treasury, and for the personal wealth of the presidential family, by buying fuel and paying landing fees. Moreover, the U.S. air force base has become a lighthouse, making the region more secure for Western investors, a fact Akaev could not refute.

Kyrgyzstan is more similar to Georgia than to Azerbaijan or Kazakhstan. It has no oil resources, and is heavily dependent on external support. Even though the Constitutional Court or any other authority could potentially provide the opportunity for Askar Akaev to extend his ruling term, the pitfalls should he do that are many. If the U.S. would begin reconsidering the effectiveness of poverty reduction programs in Kyrgyzstan, it would have to retreat from most of the projects under way.

Even though Akaev could orchestrate an electoral victory through various means, this would not automatically mean his rule would be long. If western aid would stop or be curtailed and if the Paris Club would not write off external debts (as poverty levels have actually not been reduced as forecasted), then the Kyrgyz Republic would run a severe risk of admitting economic default. Demands of society to the state are at risk of leading to social tensions, with the possibility of open conflict at a larger scale than the Aksy events of 2002. Could Akaev remain in power then?

The pro-governmental party "Alga Kyrgyzstan", Alga for short, remains akin to the Communist Party of the USSR, using administrative resources to recruit reluctant new members. Alga accomplishes these tasks very efficiently, but it has not received public trust.

The Civic Union for Fair Elections represents the first officially registered political union between regional groups of the North and South of Kyrgyzstan. Its alliance with the "For People's Power" party led by the opposition candidate for the presidency, Kurmanbek Bakiev, provides an opportunity to be competitive with the ruling elite in the forthcoming elections.

In this quagmire, one possibility for Akaev is to promote a successor for the presidential elections. Yet the problem is that there is no real candidate within his 'family'.

Aijan Baltabaeva

COULD THE 'DEAL OF THE CENTURY' STILL LIVE UP TO ITS NAME?

Pavel K. Baev

On 20 September 2004, Baku staged major celebrations, with Turkish President Ahmet Necdet Sezer and Prime Minister Recep Tayyip Erdogan and Georgian president Mikhail Saakashvili present among the guests of honor. The cause for the festivities was the tenth anniversary of the first contract on delivering the Azerbaijani oil to the world market, dubbed 'the deal of the century' by the late president Heydar Aliyev. Many expectations were frustrated during this decade but the fast-approaching inauguration of the Baku-Tbilisi-Ceyhan (BTC) pipeline could make good on many of the old promises.

BACKGROUND: Ten years ago, on 20 September 1994, the newly-forged consortium of several international oil companies, called the Azerbaijan International Operating Company (AIOC), signed the agreement with the government of Azerbaijan on the development of three oilfields: Azeri, Chirag, and Guneshli. It was BP that had worked hardest and lobbied the smartest in preparation for this agreement, but it had to cut in Amoco, Pennzoil, and Unocal from the U.S., Statoil from Norway and several minor operators (Exxon joined the next year). What was more, seeking to secure a neutral or positive attitude from Russia, Azerbaijan's State Oil Company (SOCAR) invited Lukoil to join with a decent 10% of the total package, explaining the presence of a representative of Russia's Ministry for Fuel and Energy at the signing ceremony.

In those days, however, powerful bureaucrats in the Yeltsin government were not accustomed to inform one another about their policies, so Foreign Minister Evgeni Primakov was furious at being kept in the dark. Three months later, the first Chechen War was unleashed and this unfolding disaster made Moscow even more nervous and disagreeable about Western plans for the Caspian. That started a chain of setbacks for the AIOC: a sharp drop in oil prices, downwards re-evaluations of the oil reserves in the Southern Caspian, disagreements about export routes, and endless quarrels about maritime borders and even an incident (fortunately, a single one) involving Iranian patrol crafts.

In retrospect, three key sources of troubles for the project, as well as several other contracts signed in its wake, can be identified. The first was the (sometimes unnecessarily rude) rejections of Iran's proposals to channel some of the prospective oil flows towards the Gulf through its territory. The second was the failure to give Russia a meaningful stake in the project, thus making a partner with a clear interest in the success. The third and most complex Pandora box of troubles was full of local conflicts, and the oil contracts, excitingly promising as they were, failed to make any contribution towards their resolution. All these shortcomings are still present but at the start of the second decade of implementation, the situation looks significantly more promising for AIOC and its local partners. It is not only the unstoppable rise of oil prices that improves the overall prospects, but also the completion in the coming months,

after many delays and complications, of the strategic Baku-Tbilisi-Ceyhan pipeline that could deliver as much as one million barrels of Caspian oil a day to meet steadily growing world demand.

IMPLICATIONS: The intensity of geopolitical competition for Caspian oil has visibly subsided since the late 1990s when Russia and the US appeared to be at loggerheads over the control of prospective Caspian pipelines. The present-day relative calm, however, might be misleading and the absence of any Russian guests at the celebrations in Baku (as well as the total silence about them in the Russian media) is a warning signal. While the technicalities of the ten-year-old deal are mostly resolved, its implementation is still threatened by three regional risks and three external challenges. The former are the uncertainties about President Ilham Aliyev's ability to control infighting among interest groups in Azerbaijan's ruling elite, the desperate efforts of President Mikhail Saakashvili to keep Georgia mobilized around his program of reforms, and the fragility of the ten years old cease-fire in Nagorno-Karabakh with a perfectly deadlocked peace process.

The external challenges are the disgruntlement of Iran, which seeks for means to reduce the international pressure focused on its nuclear program; the overstretched U.S., which is stuck in the quagmire of Iraq and seems to have few political resources left for the Caucasus; and the confused Russia, which seeks to expand its regional influence but remains unable to contain the war in Chechnya. Recent Russian efforts at re-orienting its foreign and security policies towards the 'war on terrorism', triggered by the horrible tragedy in Beslan, are particularly worrisome. The doctrine of military prevention has been made an integral part of these efforts, and there is a visible desire to show the ability to deliver on the promises made by Minister of Defense Ivanov and Chief of General Staff Baluevsky. The Pankisi Gorge in Georgia has long been identified as the most probable area for a Russian 'counter-terrorist' operation, but it is entirely possible that targets for 'surprise attacks' could be found further south in Georgia and in Azerbaijan. The military base in Akhalkalaki, Georgia, would then prove its value and the radar station in Qabala, Azerbaijan, may provide a useful pretext – and if such a penetrating 'counter-terrorist preventive strike' would also prevent oil from flowing to the

West by damaging some of the BTC infrastructure, nobody in Moscow would be greatly upset.

Such a scenario might appear entirely hypothetical, and its repercussions could be far more serious than a post-factum exchange of stern diplomatic notes. Every balanced assessment of immediate consequences and further implications would warn against reckless use of military instruments in the Caucasus, but the Russian leadership has been departing further and further away from its trademark pragmatism and increasingly shows the predisposition to inadequate responses in crisis situations.

CONCLUSIONS: The renewed enthusiasm around the decade-old 'deal of the century' is fueled by record-high oil prices and pinned on the forthcoming unveiling of the high-capacity pipeline. In unstable areas like the Caucasus,

however, huge profits tend to attract big trouble. The recent cancellation of NATO Partnership for Peace exercises in Azerbaijan was certainly not an isolated diplomatic incident; the lack of real partnership is certainly an open secret but the absence of real peace needs to be addressed urgently. The list of things that might go wrong with delivering the Caspian oil to the world markets is excessively long, from implosion of regimes in the South Caucasus to Russia's aggressive move in reasserting its dominance. The deal would have deserved the pretentious name if it was used for promoting stability in the region. It may not be too late to give this emphasis to the oil policies, but the currently prevalent benign neglect is not the way to proceed.

AUTHOR BIO: Dr. Pavel K. Baev is a Senior Researcher at the International Peace Research Institute, Oslo (PRIO).

SECURITY REMAINS A WORRY AS AFGHAN ELECTION CAMPAIGN UNFOLDS

On September 7, campaigning for Afghanistan's first presidential elections, scheduled for October 9, began. Violence, caused both by warlords and the Taliban, accompanies the process. Slowly, more and more election posters appear along the streets of Kabul. Most of them depict President Hamid Karzai, his greatest rival, former education minister Yunus Qanuni, Uzbek warlord Rashid Dostum and the lone female candidate, Massouda Jalal. But many of the 18 candidates seem hardly, if at all, busy campaigning when one looks at their visibility.

"It seems like many of them aren't seriously campaigning but only participating to get some political gains – before dropping out of the race," says an election observer of the Asian Network for Free Elections (ANFREL).

This concurs with what many ordinary Afghans seem to believe: that the elections will not be won in the polling booths but in secret talks between the various contenders. In particular, there are rumors that many former mujahedin, including Pashtun, are unhappy with Karzai. Instead, they would be considering supporting the Afghan-Tajik Qanuni – if the price he is offering them is deemed enough.

Qanuni registered as a candidate at the last minute at the end of July, after Karzai decided to drop his Vice-President, the powerful Tajik defense minister Mohammed Fahim, in favor of Ahmad Zia Massoud, a brother of the legendary Ahmad Shah Massoud who was murdered on September 9, 2001, by Al-Qaeda-linked extremists. But not all agree with this analysis. Former President Burhanuddin Rabbani told the Dubai-based *Khaleej Times* in August that "The commanders have their own interests and they will definitely consider that before supporting Mr. Qanuni."

Rabbani himself certainly has such interests. As the father-in-law of Ahmad Zia Massoud, he supports Karzai. However, most Tajiks in Kabul at least seem to support their co-ethnic Qanuni.

After the removal of the Tajik governor of Herat province, Ismail Khan, earlier this month, Qanuni is also expected to make big gains in this region, where Karzai never was very popular.

Ismail Khan's removal sparked violent rioting in Herat that had to be subdued by the Afghan National Army and American troops, and led to the temporary evacuation of the UN from the town. Opponents of Khan, as well as international observers, believe the violence was instigated by Khan, who declined to come to Kabul as the new minister of mines and industry but decided to stay in Herat as "a private citizen" – a private citizen with a private militia of several thousand men.

The threat of further violence by warlords such as Khan is one reason why most foreign observers apart from ANFREL decided against officially monitoring the elections. "Current and anticipated conditions in Afghanistan are significantly below those regarded by the OSCE as the minimal necessary for any meaningful election observation," reads an OSCE assessment that was obtained by the BBC. Human Rights Watch, in a report released on September 28, called the threat of warlords intimidating voters the biggest problem in the upcoming elections – bigger than the other threat, which comes from Al-Qaeda, the Taliban, and affiliated radicals such as Gulbuddin Hekmatyar.

The Taliban have vowed to disrupt the elections and on September 16 tried to shoot down Karzai's helicopter when the President was on

his way to Gardez on a campaigning trip. Three people have been arrested for the attack, which was the most serious attempt on Karzai's life in two years. Even Kabul is not considered safe at the moment. "I take the view that the security situation in Kabul is volatile," says Jennifer Harbison, South Asia Analyst with the London-based Control Risks Group. And she expects more deadly attacks in Kabul such as the August bombing of DynCorp, the U.S. security firm providing Karzai with bodyguards, which left ten dead. "NGOs, donor agencies, guesthouses, restaurants are likely to attract [terrorist] attention," Harbison believes.

Some, such as the Afghanistan Research and Evaluation Unit, an independent research organization, believe it would have been better to postpone the elections. Others disagree. "Afghanistan is insecure anyway," says Nick Downie of the Afghanistan NGO Security Office – and likely to remain so in the foreseeable future. And elections are necessary to show the country has made progress on the way to democracy. "Whether they are legitimate or not isn't of much concern," says Downie.

There certainly appear to be some problems with voter registration; in Kabul some boys of 14 or 15 years old have managed to receive voting cards. According to the ANFREL observer, this is mainly a cultural issue: "In Islam, you are old enough to marry when you are 14 or 15." Getting voter registration at that age would only seem "normal" then. Opposition candidates have further claimed Karzai is getting greater access to state-run media and demanded he resign from his post prior to the elections to give all candidates an equal chance. But Karzai called demands for his resignation "unconstitutional."

Daan van der Schriek

WHAT COMES AFTER BESLAN?

Stephen Blank

Immediately after the tragedy at Beslan the Russian government sought international assistance, support, and recognition of the fact that it was fighting international terrorism. Yet it simultaneously blasted Western criticism of its war in Chechnya, and justified a doctrine of striking preemptively against terrorists, which threatened primarily Georgia. President Putin also introduced new "reforms" into Russian politics. These so-called reforms essentially terminate federalism in Russia while also recreating the unitary state and the Tsarist practice, taken over by the Soviets, of naming all provincial governors and legislators governments from Moscow.

BACKGROUND: Since September 11 Putin has frequently acknowledged the legitimacy of the foreign (not only American) military presence in the former Soviet Union. At the same time he and his government, most of which is more clearly against that presence as is the Russian elite, has insisted on a time limit to it as soon as hostilities in Afghanistan are over. Yet it is also clear that Russia's security sector (police, intelligence, and military formations) cannot defend Russia or project power to the CIS effectively in order to defeat the scourge of terrorism or help those regimes do so. In spite of the fact that both Putin and the U.S. government have called for building a relationship between Moscow and Washington, the Russian bureaucracy refuses to follow through on American projects for defense cooperation for meaningful, as opposed to rhetorical, cooperation. Similarly Putin appealed to NATO for assistance in reforming the Russian Army so that it could fight terrorism. Yet here again foreign military observers in Moscow have unanimously observed that despite NATO's willingness, programs for such cooperation remain mired in bureaucratic obstruction. Clearly neither Putin nor Defense Minister Sergei Ivanov, nor the General Staff are willing to spend political capital to push such cooperation even though it could yield enormous payoffs in the war against international

terrorism. All this leads one to conclude that Russia's ambivalence about seeking help in the CIS from the West remains intact and paralyzes efforts at domestic reform and security. Indeed, from the conduct of the Russian government, it seems that it is more interested in consolidating a unilateral sphere of influence there that is beyond its powers to sustain, rather than to seek meaningful security or defense cooperation from the West which alone could give it the security from terrorism that it needs and claims to want.

IMPLICATIONS: Putin has pushed legislation that would essentially strip the election process and the judiciary of many of their already weak powers, and curtail the Duma's attenuated powers to hold his regime to account, which would further reduce elections to a meaningless formality. Meanwhile it is very unclear exactly how any of these so-called reforms relate to Chechnya or will enable Moscow to carry out its goals there. Putin's post-Beslan reforms seem

directed at Russian domestic politics in the misplaced Tsarist notion that a band of virtuous knights who alone cherish state interests and report only to the Tsar can ensure security and good government. For Putin these knights are former KGB men or men with ties to it who supposedly incarnate the state interest above all other, allegedly partial or sectoral, interests. But these officials are, in fact, part of the same imperial, authoritarian mindset that has led to repeated disasters, as well as the corruption of the general state administration. They certainly have no concept of anything beyond state interests and an imperial and authoritarian concept of that state. These so called reforms also seem to suggest that Putin is again taking personal control of Chechnya and the North Caucasus. Yet not only is there no sign of reform of the armed forces that would make it more professional and more accountable to civilian democratic authority under law, and thus more capable of fighting terrorists. Instead Russian domestic and security policy are both regressing.

Moscow remains obsessed with Georgia and seems to believe that by threatening it or even attacking it, that it will gain a decisive victory over the Chechens. Unfortunately this delusion resembles the Nixon Administration's misplaced belief of 1970 that attacking Cambodia and widening the Vietnam war could solve its problems. In any case, given the condition of the Russian army, it cannot be carried out today.

Indeed, Russian attacks on Georgia would trigger an international crisis and a potentially military response for which Russia has no response, namely protracted war and occupation, contingencies clearly beyond Moscow's capabilities. Moscow also remains stubbornly blind to the fact that its own support of secessionist groups in Georgia, Moldova, and Azerbaijan has legitimated the tactic of secession and of appeals to foreign forces for military support with which it now upbraids the Chechens. Worse, it refuses to see that by creating proto-states whose political economy combines war, racketeering, smuggling, trafficking in women and children, black market activities, large-scale gun running, drug trafficking, and official corruption as the glue that holds these regions together, it has created the very conditions that facilitated Beslan and other such attacks like those which took place in Moscow.

The Putin regime seems unable to fathom or to accept that it cannot have or attain security in Russia by promoting insecurity all around its frontiers, especially if that insecurity is generated by Moscow's support for what amounts to racketeers and gangsters. This direct instigation and support of separatist and corrupt activities may reward high-ranking players in the Russian government. But it certainly does not redound to Russia's national interest, instead it facilitates the spread of the cancer of failing states and kleptocracies throughout the North Caucasus and the entire post-Soviet space. Likewise, Putin's contempt for exporting democracy abroad only strengthens the hands of these gangsters and those post-Soviet rulers whose follies could endanger both their regimes and Russia.

Although Western governments would almost certainly support a democratizing Russia against terrorism, they clearly will not and cannot offer meaningful support to a country whose institutions remain unreformed, whose government remains both dictatorial and corrupt, and which actively fosters the conditions that facilitate the spread of terrorism even as it fights this threat. These simultaneous appeals and attacks demonstrate that Russia continues to display an entitlement mentality that help is owed to it but that it need

not account for its activities or for what it does with that help.

CONCLUSIONS: Western support and participation in major security reforms is essential to Russia's own well-being and security. So too is the renunciation of support for the kleptocratic proto-states created out of Georgia and Moldova. Whatever benefits they provide to various officials in Moscow and elsewhere pale behind the enormity of the threat that their very existence both legitimizes and facilitates. Moreover, continuation of such policies as support for them precludes the very support from the West that is vital to Moscow. Despite the best efforts of both the United States and other Western governments for genuine security cooperation in the Caucasus and Central Asia, until and unless Russia realizes that it must reform to survive and that its neighbors' security is its own vital interest, such foreign support will be partial, limited, and tragically inconclusive.

AUTHOR'S BIO: Professor Stephen Blank, Strategic Studies Institute, US Army War College, Carlisle Barracks, PA 17013. The views expressed here do not represent those of the US Army, Defense Department, or the US Government.

RUSSIAN-AZERBAIJAN RELATIONS SUFFER AFTER THE BESLAN ATTACK

The tragic terror acts in the Southern Russian town of Beslan in early September negatively affected the bilateral Azerbaijani-Russian relations. Although Azerbaijan was one of the first countries to condemn the terror attacks and offer humanitarian assistance to the victims, the Russian political leadership decided to tighten the border regime at border crossings and canceling dozens of flights connecting the Azerbaijani cities of Baku and Ganja to Russia. This, in turn, hurt the business opportunities and incomes of Azerbaijani businessmen.

Moscow justified the move by the necessity of fighting international terrorism and strengthening border security. Similar action was taken at the border with Georgia. Illegal migration and cross-border smuggling have become one of the major problems for Russia in the past decade, yet it is unclear whether and how closing down the border will help to improve the situation.

"This solution is actually having the reverse effect: legal traders are suffering and illegal traders will find their way to the other side anyway with the help of corrupt officials," said a Western diplomat, who preferred to remain anonymous. Indeed, corruption of the border services has been one of the key reasons why smuggling has blossomed at Russia's borders. Yet Moscow seems to refuse to understand that. "Azerbaijan naturally accepts the Russian government's decision," said first deputy Prime minister Abbas Abbasov, who is responsible for bilateral economic relations. Official Baku pretends that the intensified regime at the border

does not bother the government, yet in reality the economy suffers, as do the business interests of Azerbaijani entrepreneurs.

No exact number for Azerbaijanis living and working in Russia is available, but rough estimates indicate that there are between 1.5-2 million Azerbaijanis working in Russia as labor migrants. They are mainly engaged in the retail sale of agricultural products, for which Azerbaijan is a main supplier due to its warm climate.

Russia often threatens with imposing visa regime for these labor migrants to achieve political and economic goals in its relations with Baku. The Azerbaijani leadership has to take this factor into consideration as the arrival of such a large number of unemployed people back to Azerbaijan would result in a difficult socio-economic crisis and potentially political instability.

It is not the first time that Moscow pursues these measures to fight terrorism in the Northern Caucasus. In 1994, after the breakout of the first Chechen war, Russia closed down the border with Azerbaijan and Georgia, claiming that terrorists in Chechnya get their supplies through these countries, a claim that was repeatedly refuted by the leadership of Azerbaijan and Georgia. But as one political commentator in Azerbaijan's private ANS TV channel noted, "If they accuse our border troops in helping the smugglers, what about their own ones? Why not protect the border from their own side?"

The tighter regime in the border already caused the price for goods imported from Russia, such as sugar and butter, to increase. The cancellation of the flights to Russian cities caused the increased usage of the railroad system. The majority of Azerbaijanis, who travel to Russia for work purposes now have to use railroads, which, in turn, leads to overpressure on Azerbaijani railcars.

These so-called security measures have taken place in parallel with the intimidation and murder of ethnic Azerbaijanis in the Russian cities. The situation has become especially unbearable in Moscow, where Azerbaijanis and other representatives of Caucasian nations are targets of attacks by skinhead, neo-fascist groups. These groups of young men pursue the goal of cleaning Russia from "outsiders" and use terror acts to spread racial and ethnic hatred. In the past month, several Azerbaijanis were severely beaten and murdered in Moscow and another cities of Russia by skin-head groups.

Meanwhile, the residents of some villages in the Gusar region of Azerbaijan, which is located on the border with Russia, suffer from the current border regime. They can not pass to the other side of the village, where their relatives live and with whom they trade on a daily basis. Cut off from the main supply of groceries, villagers in the remote mountains suffer from the shortage of daily necessities.

Fariz Ismailzade

NEWS BITES

TAJIKISTAN RELEASES 10 FORMER UNITED TAJIK OPPOSITION FIGHTERS

22 September

Vladimir Sotirov, head of the United Nations' Tajikistan Office of Peace-Building, announced on 21 September in Dushanbe that Tajik authorities have released 10 former fighters of the United Tajik Opposition (UTO). The 10 were part of a group of 103 former UTO fighters who Democratic Party leader Mahmadriz Iskandarov said should have been freed in the post-civil-war amnesty. Sotirov said that the 10 were released after the Prosecutor-General's Office determined that they had been arrested illegally. He added, "Another 50 people on the list were never detained at all, according to the Prosecutor-General's Office. The rest were arrested for crimes committed after the amnesty." The UTO was a key player in the 1992-97 civil war. (Asia Plus-Blitz)

PACE CALLS FOR RELEASE OF AZERBAIJANI OPPOSITION LEADERS

22 September

The latest report by the Parliamentary Assembly of the Council of Europe (PACE) monitoring committee for Azerbaijan calls for the immediate release of seven Azerbaijani opposition leaders currently on trial for their alleged participation in clashes in Baku on 15-16 October between police and opposition supporters in the wake of the disputed presidential election. The report, which is to be formally debated on 5 October during the PACE autumn session in Strasbourg, also calls for the release of several lower-level opposition supporters who were arrested and jailed for protesting election irregularities and falsifications. It also expresses concern over incidences of oppression and intimidation, citing the country's failure to release political prisoners, the eviction of opposition parties from their offices, and the dismissal of the popular and influential leader of Baku's Djuma Mosque. (Turan)

KAZAKH ELECTION COMMISSION DISPUTES OSCE ASSESSMENT

23 September

Kazakhstan's Central Election Commission (CEC) announced in a 22 September press release that it does not agree with the Organization for Security and Cooperation in Europe's (OSCE) critical assessment of parliamentary elections that took place on 19 September. The press release followed a 21 September meeting between CEC head Zagipa Balieva and OSCE representatives. Noting that the CEC has carefully studied past OSCE election reports, the press release disputed the OSCE's conclusions. The OSCE, according to the release, declined to take part in preparatory meetings on

electronic voting yet criticized the process as secretive, accused the CEC of lacking transparency even though OSCE representatives were invited to "all CEC events," and inaccurately assessed the significance of Kazakh opposition leaders. Nevertheless, the CEC said that it hoped for "further constructive and bilateral cooperation to perfect our country's election legislation." (RFE/RL)

EXTREMISM TRIALS CONTINUE IN UZBEKISTAN

23 September

Eighteen alleged religious extremists went on trial in Uzbekistan's Kashkadarya Oblast on 20 September, bringing to 47 the number of people on trial in the area, RFE/RL's Uzbek Service reported. The 18, who are all reportedly residents of Qarshi, were arrested after violence broke out in Tashkent and Bukhara in late March and early April. They are charged with membership in the banned extremist organization Hizb-ut-Tahrir, carrying out propaganda activities, and attempting to overthrow the country's constitutional system. A relative of one of the accused told RFE/RL's Uzbek Service that the defendants maintain their innocence, but some of the lawyers representing them are not even trying to defend them in court. Thirty-one defendants went on trial on similar charges in Kaskadarya Oblast in early September. Two have already received 14-year prison terms. (RFE/RL)

ARMENIAN FOREIGN MINISTER IMPLIES KARABAKH SETTLEMENT ENTERING NEW PHASE

23 September

Meeting last week on the sidelines of the CIS summit in Astana, the presidents of Armenia and Azerbaijan discussed, but failed to reach agreement on, proposals prepared by the two countries' foreign ministers during four rounds of talks in recent months, Armenian Foreign Minister Vartan Oskanian told a press conference in Yerevan on 22 September, RFE/RL's Armenian Service reported. Oskanian said he will not meet again with his Azerbaijani counterpart Elmar Mammadyarov until the two presidents either approve or suggest amendments to those proposals and issue clear instructions to embark on a second, "more serious" phase of talks. Oskanian declined to confirm or deny a report that one of the proposals in question is for the withdrawal of Armenian forces from some of the seven Azerbaijani districts they currently occupy in return for an internationally supervised referendum on independence for the unrecognized Nagorno-Karabakh Republic. (RFE/RL)

DUMA TURNS BACK BID TO RESTRICT MEDIA COVERAGE OF HOSTAGE CRISES

23 September

The Duma's Information Policy Committee on 23 September rejected a bill that would have barred broadcast media from reporting any information during hostage crises. The bill was proposed by Deputy Aleksandr Krutov (Motherland), and would have allowed broadcast media to report on such matters only after the crisis had passed. Committee Chairman Valerii Komissarov (Unified Russia) told the news agency that the bill "contradicts the letter and spirit of the Russian Constitution and restricts the work of the mass media in many ways." The committee voted to hold a roundtable to discuss the work of the media during such crises. Twenty-eight of the 134 members of the Academy of Russian Television -- including popular television host Vladimir Pozner, National Association of Telebroadcasters President Eduard Sagalev, journalists Viktor Shederovich and Svetlana Sorokina, and former NTV General Director Yevgenii Kiselev -- they have signed a statement declaring that "Russian television today is not free" and that objective information has been replaced by official propaganda, "Rossiiskaya gazeta" reported on 25 September. The statement laments the closure of analytical-informational programs such as NTV's "Namedni" and "Svoboda Slova." (ITAR-TASS)

CIS SECURITY CHIEFS MEET IN KAZAKHSTAN

24 September

Security chiefs from all CIS member states except Turkmenistan met on 24 September in Almaty, Kazakhstan to discuss cooperation in the fight against narcotics trafficking, illegal migration, and terrorism. Turkmen representatives attended as observers. The group unanimously elected Nartai Dutbaev, head of Kazakhstan's National Security Committee (KNB), to replace Sergei Lebedev, head of Russia's Foreign Intelligence Service, as its chairman. A KNB press release said that the meeting participants agreed on the need for effective, coordinated measures to handle security threats in the region. Lebedev told a press conference on 24 September, "Since international groups exist, we must unite our efforts against them because it is impossible to fight against such crimes on one's own." Lebedev added that recent terror attacks in Russia and Uzbekistan underscored the urgency of the issue. (Interfax-Kazakhstan)

NEW POLITICAL BLOC EMERGES IN KYRGYZSTAN

24 September

Several Kyrgyz opposition parties have decided to form a new political bloc under the leadership of former Prime Minister Kurmanbek Bakiev. Called the People's Movement of Kyrgyzstan, the bloc will bring together both of the country's communist parties, the New Kyrgyzstan party, the Democratic Movement of Kyrgyzstan, Erkindik, Erk, Asaba, Kairan El, and Respublika. The new bloc's primary aim is to

ensure fair and honest elections, New Kyrgyzstan leader Dosbol Nur uulu said. (akipress.org)

MOSCOW LAYS OUT PLAN FOR COMBATING INTERNATIONAL TERRORISM

24 September

Foreign Minister Sergei Lavrov addressed the 59th UN General Assembly in New York on 23 September, laying out Moscow's vision for how best to conduct the war against international terrorism. Lavrov stressed the need for international unity in the face of terrorism. He also called for the "development and perfection" of international law in order to combat terrorism. Lavrov also called on all countries to "end the practice of extending political asylum to terrorists and their accomplices and sponsors." He said the international community must do more to prevent terrorists from acquiring weapons of mass destruction. He added that the flow of narcotics from Afghanistan must be stopped, as it is a major source of terrorist funding. Finally, Lavrov said the war against terrorism must be based on the structures of the UN and called for a new Security Council resolution to bolster the UN's Counterterrorism Committee. "The international community is passing through a complex period of the formation of a new system of international relations," Lavrov says. "It is already clear that this will be a long process with an uncertain and unpredictable future." (Interfax)

NORTH CAUCASUS GENERAL OUTLINES SECURITY LAPSES THAT LEAD TO TRAGEDY

24 September

Lieutenant General Yevgenii Abrashin, who is first deputy commander of the North Caucasus Military District's Interior Ministry forces, wrote a commentary in "Izvestiya" on 24 September in which he critically analyzed the security lapses that lead to the Beslan tragedy. Abrashin said that officials had considerable vague information that a terrorist attack was being prepared but the only precaution taken was enhanced security of military headquarters in the region in order to prevent an attack like the one on police installations in Ingushetia in June. He said that officials failed to increase checkpoints on roads, to conduct helicopter patrols along the North Ossetia-Chechnya border, to increase the police presence in North Ossetian towns, and to send patrols to check out and secure ruined buildings in the vicinities of Vladikavkaz and Beslan. Abrashin writes further that officials failed to recall Interior Ministry forces that had been sent from North Ossetia and Ingushetia to Chechnya, as is standard procedure when a security alert is ordered. He said that such information about possible attacks is so common that officials "have become inured to the constant flow" and fail to react adequately. Lieutenant General Abrashin also wrote in "Izvestiya" on 24 September that "at present the number of tasks facing the forces in Chechnya exceeds their physical possibilities." "Most of their current functions are connected with ensuring their own security," Abrashkin wrote. "Active missions to liquidate remaining and newly created band formations are carried out episodically and

ineffectively. Therefore we now have the paradoxical situation of fighters committing terrorist acts [in other parts of Russia] hiding from justice in Chechnya." He called for the creation of a military commandant for the entire North Caucasus region who would be in command of a unified military operations group for the region. (RFE/RL)

KAZAKH PRESIDENT VISITS XINJIANG

25 September

Nursultan Nazarbaev made a working visit to China's Xinjiang Uighur Autonomous Region (XUAR) on 24-25 September, Khabar TV reported. He met with Wang Lequan, secretary of the XUAR Communist Party Committee, and the two signed an agreement to create an international border cooperation center at the Khorgos crossing. Nazarbaev said, "The effective implementation of this project will allow large import-export companies from both countries to benefit from the advantages of cross-border trade." According to the Chinese side, the agreement will eventually open the door to a substantial increase in the \$3.3 billion annual trade volume between the two countries. Nazarbaev also spoke by phone with Chinese President Hu Jintao. (Kazinform)

KYRGYZ PRESIDENT BEGINS FIVE-DAY U.S. TOUR

25 September

Askar Akaev left Kyrgyzstan on 25 September for a five-day tour of the United States. The Kyrgyz president will be in Utah from 25-27 September to hold meetings with the state's governor and Utah business leaders. On 28 September, Akaev will be in New York to attend the 59th session of the UN General Assembly, and on 28-29 September he will visit Boston to present his latest book, "Memorable Ten Years." (akipress.org)

U.S. TO TRAIN AND EQUIP ANOTHER 4,000 GEORGIAN SERVICEMEN

27 September

The United States will continue to help train and equip Georgian servicemen, Georgian Defense Minister Giorgi Baramidze said at the Tbilisi airport on Monday upon returning from Washington. "U.S. assistance in the training of Georgian servicemen will be increased in comparison to the previous Train and Equip program by approximately 200%. Some 4,000 Georgian servicemen will be trained," Baramidze said. The new program will be funded by the U.S., Baramidze said. (Interfax)

PRO-KREMLIN EXPERTS SAY 'EXTERNAL' AND 'INTERNAL' FORCES SUPPORT RUSSIA'S ENEMIES

27 September

Television commentator Mikhail Leontev said on 26 September that he supports President Putin's statement that outside forces are using international terrorism to promote the disintegration of Russia. "There are such influential forces in the United States and Europe," said Leontev, speaking on

Vladimir Pozner's prime-time ORT program, in an installment devoted to international terrorism. Duma Deputy Dmitrii Rogozin (Motherland); the chairman of the Islamic Committee of Russia, Geidar Dzhama; and head of the Political and Religious Researchers Center, Maksim Shevchenko, agreed with Leontev. Effective Politics Foundation President Gleb Pavlovskii, said "it is ridiculous to expect that the West will care about our territorial integrity more than our own politicians, who twice agreed to alienate our territory -- in 1991 during the disintegration of USSR and in 1996 during Khasavyurt, the accord with Chechen President Aslan Maskhadov." "We still have legally functioning political parties whose leaders are calling for talks with Maskhadov and the leaders of terrorists," Pavlovskii continued. "As far as the West is concerned, what more can we expect from it, if it continues to call our mortal enemies 'separatists.'" (RFE/RL)

OIL PIPELINE TO LINK KAZAKHS TO ENERGY-HUNGRY CHINA

28 September

Kazakhstan and China launched the construction of an oil pipeline on Tuesday that will ship up to 20 million tonnes (400,000 barrels) of Russian and Kazakh oil a year to help feed China's booming economy. The link will be a major boom for landlocked Kazakhstan. The mineral-rich nation aspires to triple its crude output to over 3.0 million bpd by 2015, but it lacks routes to energy-deficient world markets. The \$700-million, 962-km (600-mile) pipeline will be financed 50-50 by Chinese state oil firm CNPC and Kazakhstan's KazMunaiGas and run from Atasu in central Kazakhstan to Alashankou in western China. Its completion is planned by December 2005. "This (pipeline) is an opportunity to employ the transit potential of our country to provide shipments of crude from western Siberia across our territory," Kazakh Energy Minister Vladimir Shkolnik said at the groundbreaking ceremony in Atasu. "The Chinese side is responsible for filling the pipeline with crude and will hold talks with the relevant oil producing firms of the Russian Federation," Shkolnik said without elaborating. The pipeline will link China to Kazakhstan's pipeline network, including a branch shipping oil from Russia's Siberian fields. It will have an initial annual capacity of 10 million tonnes (200,000 bpd) and a peak level of 20 million tonnes. Apart from Russian crude, the new pipeline will also ship oil produced in southern Kazakhstan. Shkolnik said that the construction would be financed largely by a \$600 million bank loan. "It is going to be repaid in five to eight years. The date will depend on loan terms." Kazakhstan currently exports most of its oil via Russia, and besides building the China-bound pipeline is buying a tanker fleet for the Caspian Sea, to serve a new pipeline from Baku in Azerbaijan to Ceyhan on Turkey's Mediterranean coast. Kazakhstan also trades oil via swaps with Caspian neighbour Iran, and is currently swapping about 100,000 tonnes a month. (Reuters)

ASYLUM FOR AKHMADOV WAS COURT

DECISION – VERSHBOW**28 September**

Granting political asylum to Chechen separatist figure Ilyas Akhmadov was purely a decision of the court, not a statement of U.S. foreign policy, Washington's ambassador to Russia Alexander Vershbow told Interfax in a Tuesday interview. Asked to explain the U.S. position on granting political asylum to Akhmadov, he said: "As for political asylum cases, it is essential to understand that in the U.S. such matters are exclusively decisions for immigration judges and courts, and the courts in the U.S. are independent both in law and in fact." Asked under what conditions the United States would satisfy Russia's request for Akhmadov's extradition, the ambassador said: "In general, the United States does not extradite in the absence of an extradition treaty. However, to the extent that your question is about immigration proceedings, in the United States such matters rest with immigration judges and courts." Akhmadov, who calls himself the foreign minister of Ichkeria, was granted asylum in the United States in August 2004 when judicial authorities satisfied his protest against a decision made in spring 2003 to deny him asylum. (Interfax)

ABKHAZIA WILL NOT REJOIN WITH GEORGIA - ABKHAZ PM**28 Sept**

Abkhaz Prime Minister Raul Khajimba has claimed that Abkhazia will never become part of Georgia again. "We have been accustomed to the Georgian president's statements that he will return Abkhazia to Georgia. Tbilisi should understand that Abkhazia will not return to Georgia, and this problem cannot be solved by force," Khajimba told Interfax on Tuesday. "The people of Abkhazia have made their choice and we are not going to discuss the status of our republic, which is an independent state," he said. Khajimba also said that Abkhazia on September 30 will mark "another anniversary of the victory in the 1992-1993 Georgian-Abkhaz conflict." (Interfax-South)

FORMER INGUSH PRESIDENT CALLS FOR TALKS WITH "MODERATE" CHECHEN MILITANTS**28 September**

The former president of Ingushetia, Ruslan Aushev, on Tuesday called on the Russian leadership to hold talks with "moderate militants" in Chechnya. Aushev argued that indiscriminate repressive measures against the separatist movement stimulated radicalization within it. "Militants in Chechnya are not alike. There are moderate militants, and they make up a majority, and there are radicals," he told a news conference at the Interfax headquarters in Moscow. "The more we press everyone indiscriminately, the more radicals we create," he said. "There will be no peace in Chechnya without a political dialogue," he said. (Interfax)

FORMER TAJIK INTERIOR MINISTER MAINTAINS INNOCENCE**29 September**

Saidkomil Qurbonov, the defense lawyer for former Tajik Interior Minister Yaqub Salimov told on 29 September that his client considers himself innocent of the charges he faces. Salimov faces up to 15 years' imprisonment on treason and corruption charges. Qurbonov said, "We, the defense, feel that the accusations are unfounded and unproven." Qurbonov added that the state does not have eyewitnesses to support its allegations. He concluded, "Investigators were unable to produce either direct eyewitnesses or evidence to support my client's guilt on any of the charges. We are hoping for an acquittal, since I am completely confident that Salimov is innocent of all the charges he faces." (Asia Plus-Blitz)

CHECHEN TERRORISTS SHOULD BE ON U.N. BLACK LIST – RUSSIA**29 September**

Russia wants Chechen terrorists to be included in the U.N. Security Council black list of individuals and organizations involved in terrorism. Russian Deputy Foreign Minister Yury Fedotov told Interfax on Wednesday that Russia has suggested expanding the Security Council list by adding terrorist groups and individuals whose links with Al Qaeda "may have not been formally established." "Chechen terrorists should certainly be added to the list," he said. (Interfax)

OPERATION AGAINST GUERRILLA LEADERS UNDERWAY IN CHECHNYA**29 September**

Chechen Interior Ministry groups and units of the Chechen presidential security service resumed their operations near the village of Alleroi and Meskety in the early hours of Wednesday to search for guerrilla leaders, the republic's First Deputy Prime Minister Ramzan Kadyrov told Interfax by telephone. "Officers of the traffic police service's regiment, special operations police units and republican president's security service staged an ambush in a forest last night and continued to comb the area in the morning," said Kadyrov, who is overseeing the operation. (Interfax)

GEORGIA SETTING UP TWO ARMY GROUPS NEAR BORDER WITH S. OSSETIA**30 September**

Georgia is setting up two army groups on the border with the self-proclaimed republic of South Ossetia as part of its plans to launch strikes at the republic from the direction of Znauri and Tskhinvali, South Ossetian Interior Minister Robert Guliyev told Interfax by phone on Thursday. "By concentrating their forces in two directions - Tskhinvali and Znauri - the Georgian authorities are entrusting the task of surrounding Tskhinvali and closing the Trans-Caucasus highway to traffic traveling to [Russia's republic of] North Ossetia to these army groups. This will become possible as a result of two parallel strikes," Guliyev said. "An intelligence report suggests that up to ten T-72 tanks, some of which Tbilisi purchased in Romania and some other tanks that were

repaired in Ukraine, have been deployed in Georgia's Kareli district alone. These tanks are expected to take part in an invasion of South Ossetia's Znauri district," he said. (Interfax)

GEORGIA DECRIES ECONOMIC IMPACT OF CLOSED BORDER WITH RUSSIA

30 September

The deputy chairwoman of the Georgian parliamentary Foreign Relations Committee, Salome Samadashvili, said on 30 September that the Russian closure of the Lars checkpoint on the Russian-Georgian border has inflicted serious damage on the Georgian economy. The economic losses from the closure are estimated at roughly 4 million laris (\$2.2 million) and have led to a widening disruption in regional trade as the border crossing post is an important transshipment point facilitating trade and cargo shipments between Russia and Armenia. Georgian First Deputy Foreign Minister Nika Tabatadze told the parliament that the Foreign Ministry and State Border Guard Department, in coordination with the National Security Council, were working with Russian officials to resolve the issue. Freight traffic has been forced to use a longer alternative route through the Roki Tunnel in South Ossetia, a detour that effectively bypasses Georgian customs and security checkpoints. The border-closure issue was also raised during the opening meeting of the Georgian-Armenian business association in Tbilisi on 30 September, Rustavi-2 television reported. The meeting was attended by Georgian Prime Minister Zurab Zhvania and included a number of Armenian businessmen and parliamentarians. (Prime News)

LOCAL POPULATION CONTINUING TO SURRENDER ARMS IN CHECHNYA

30 September

Two sub-machine guns, a revolver and two grenades have been surrendered by two people from Chechnya's Achkhoi-Martan district and a Nozhai-Yurt resident over the past 24 hours, Maj. Gen. Ilya Shabalkin, spokesman for the regional headquarters for the counter-terrorist operation in the North Caucasus, told Interfax on Thursday. Under the Russian Criminal Code, these people will not be punished as they have handed over their weapons and ammunition in a voluntary manner. The three are also entitled to a reward, according to a resolution issued by the Chechen government. (Interfax)

OPERATION IN EAST CHECHNYA TO CONTINUE - ACTING MINISTER

30 September

The operation in the highlands of eastern Chechnya will go on until all the militants detected in the area are dead, acting Chechen Interior Minister Ruslan Alkhanov told Interfax on Thursday. Sizable forces are searching the forest at the junction of Nozhai-Yurt, Kurchaloi and Gudermes districts, he said. The operation has produced results, Alkhanov said. Two militant bases were found in the forest, where their wounded recovered and arms, ammunition and food were

stored, he said. About 25 militants have been killed in clashes, he said. (Interfax)

ARMENIAN OPPOSITION LEADERS VOW TO CONTINUE BOYCOTT OF PARLIAMENT

1 October

Armenian opposition leaders criticized on 30 September the parliamentary debate on amendments to the country's Electoral Code and vowed to continue their boycott of parliament, RFE/RL's Yerevan bureau reported. Opposition Artarutjun (Justice) alliance deputy Grigor Harutianian dismissed the parliamentary debate as insincere and added that "the obedient majority would block any real change." The debate centers on amendments to election laws drafted by the pro-government majority seeking to modify the composition of state-appointed election commissions. The amendments are tied to the findings of a February report by the Council of Europe and the Organization for Security and Cooperation in Europe (OSCE) that concluded that the formation of the election commissions represents a "serious obstacle to the impartiality of the electoral administration" and recommended that "in order to reduce the president's influence on the commissions' work, the [presidential] administration should not have more than one representative in each election commission." The Armenian president has the power to appoint three of the nine-member Central Election Commission and its territorial divisions, with four other commission seats controlled by pro-presidential parties. (RFE/RL)

ARMENIA'S LARGEST HOSPITAL PRIVATIZED

1 October

The Armenian government approved a plan on 30 September to privatize the country's largest hospital, RFE/RL's Yerevan bureau reported. The plan calls for the privatization of the Armenia Republican Medical Center in a 135 million-dram (\$267,000) sale without a competitive tender. The move is fairly controversial, as the privatization of Armenia's health-care facilities were suspended in August 2003 following the objections of parliamentary speaker Artur Baghdasarian. In a statement defending the plan, the government revealed that the new, as yet unnamed, owners have pledged to invest 100 million drams in the Yerevan-based complex. Health Ministry officials told RFE/RL's Yerevan bureau that their ministry was not involved in the privatization plan and admitted that they were unaware of the decision. Another ministry source said that the facility will most likely conform to the previous privatization of 37 other health institutions that transferred ownership to the personal control of the previous state-appointed administrator. The deal will leave only one remaining state-run health-care facility in the country. Armenia also lacks a mandatory national system of medical insurance. (RFE/RL)

ARMENIAN DEFENSE MINISTER NOTES CONCERN OVER IRAQ DEPLOYMENT

1 October

In comments during an interview with Armenian Public Television on 30 September, Serzh Sarkisian admitted that he shared public concern over the deployment of an Armenian contingent to Iraq, Arminfo reported. Sarkisian added that although the small Armenian community in Iraq may become a target for terrorist attack, no country is immune from such danger and cited the move as Armenia's contribution to stability. The Armenian deployment to Iraq, consisting of 31 military drivers, six engineers, 10 sappers, and three doctors, is now awaiting parliamentary approval. (RFE/RL)

GEORGIAN INTERIOR MINISTER OFFERS TO PROVIDE RUSSIA WITH LIST OF PANKISI RESIDENTS

2 October

Georgian Interior Minister Irakli Okruashvili offered on 2 October to provide Russian officials with a list of all people living in the country's Pankisi Gorge. The Georgian offer, announced during a CIS Ministerial Summit in Kyiv, follows renewed Russian concern over the use of the Pankisi Gorge as a staging area by Chechen rebels for cross-border attacks in Russia. In the wake of the attack on a school in North Ossetia by Chechen terrorists, Russian security forces have been exerting pressure on Georgia to introduce stricter measures along its border with Russia. The Pankisi Gorge is home to a significant number of Chechen refugees forced to seek refuge from the conflict in Chechnya. (Civil Georgia)

PRESIDENTIAL ELECTIONS HELD IN ABKHAZIA

3 October

More than half of eligible voters in the unrecognized Republic of Abkhazia turned out to vote for a successor to ailing President Vladislav Ardzinba on 3 October. The election featured five candidates, none of whom was able to garner the sufficient number of votes needed to avoid a special runoff election. Of the five, the Abkhazian government's favored candidate, former Prime Minister Raul Khadjimba, and opposition contender Sergei Bagapsh are reported to be leading the rest of the field. Although Khadjimba enjoys the support of the Abkhazian establishment and Russian President Vladimir Putin, Bagapsh holds an advantage with support from an opposition bloc comprised of the Amsakhara Union of Veterans, United Abkhazia, the Federation of Independent Trade Unions, and the Aitaira Movement. The contest will select a new leader for Abkhazia, as outgoing President Ardzinba is constitutionally prohibited from seeking a third five-year term as president. (ITAR-TASS)

GEORGIAN FORCES CONDUCT SECURITY OPERATION ALONG NORTHERN BORDER

3 October

Combined forces from the Georgian Defense Ministry, State Security Ministry, and the Interior Ministry Border Guard Department launched a security operation on 2-3 October along the northern Georgian border. Officials from the

Organization for Security Cooperation in Europe (OSCE), the U.S. Embassy in Tbilisi, and Russian security representatives monitored the operation, which centered on the Georgian border with Ingushetia and Daghestan, as well as the Pankisi Gorge. Georgian State Security Minister Vano Merabishvili said "the operation aims to show that Georgia's law enforcement bodies have the situation in control, and there is no chance for terrorists and paramilitary units to find shelter." (ITAR-TASS)

SUSPECTED UNDERGROUND ISLAMISTS ROUNDED UP IN NIZHNII NOVGOROD

3 October

The FSB directorate in Nizhnii Novgorod Oblast arrested 11 alleged members of a local underground cell of the Islamist Hizb ut-Tahrir party organization. The FSB reportedly confiscated at least one weapon and literature calling "for the overthrow of non-Islamic governments and the establishment of a global Islamic caliphate." Those arrested include foreign nationals, the report said, one of whom is an Uzbek citizen. The Supreme Court in February labeled Hizb ut-Tahrir a "terrorist organization" and banned its activities in Russia. (ITAR-TASS)

OSCE REJECTS ELECTION IN ABKHAZIA AS 'ILLEGITIMATE AND UNACCEPTABLE'

4 October

The OSCE chairman-in-office, Bulgarian Foreign Minister Solomon Pasi, issued a statement on 4 October expressing his concern over the holding of presidential elections in Abkhazia. The OSCE statement affirmed support for the territorial integrity of Georgia and stressed that it recognizes neither the independence of Abkhazia nor the election. Noting that "refugees and internally-displaced persons should be enabled to return to their homes in Abkhazia in safety and dignity before any election in the region can be held," the OSCE rejected the election as "illegitimate and unacceptable." (Civil Georgia)

GEORGIAN MINISTER COMMENTS ON ELECTIONS IN ABKHAZIA

4 October

Georgian State Minister for Conflict Resolution Giorgi Khaindrava stated in on 4 October that Bagapsh has won the Abkhaz presidential election with 60 percent of the vote. But Khaindrava noted that Abkhaz authorities have already begun to falsify the election results in order to ensure the victory of their candidate, Prime Minister Khadjimba. The Georgian minister added that the Georgian government seeks to resume negotiations with Abkhazia, and "with whoever is in power in Sukhumi." (ITAR-TASS)

AZERBAIJAN DEMANDS ARMENIA'S EXCLUSION FROM COUNCIL OF EUROPE

5 October

Azerbaijan has sent a letter to the Council of Europe demanding that Armenia be expelled from this organization.

"The document that contains the demand to exclude Armenia from the Council of Europe has already received the status of an official PACE document. It will be distributed among PACE countries' representatives on Tuesday and will be discussed at a session of the Council of Europe ministers' cabinet in the near future," a representative of Azerbaijan's delegation at the Strasbourg PACE session, Rafael Guseinov, told Interfax. "This demand is motivated by the fact that Armenia has repeatedly violated the basic principles of the Council of Europe. Namely, Armenia continues the occupation of 20% of Azerbaijan's territory, Azerbaijan being another Council of Europe country," Guseinov said. Baku lost control over Nagorno-Karabakh in the course of a bloody conflict with Armenia in the 1990s. The UN Security Council has repeatedly condemned the occupation of Azerbaijani territory and demanded that Armenian military units be withdrawn from it. The OSCE Minsk Group, which includes representatives of Russia, France, and the United States, is mediating the conflict. (Interfax)

SUBDUED AFGHANISTAN CAMPAIGN ENDS

6 October

Campaigning in Afghanistan's presidential election is ending on Wednesday. Afghans will begin casting their votes on Saturday morning at some 25,000 polling stations, in the country's first democratic ballot. Security concerns have overshadowed the run-up to the poll, with the incumbent and clear favourite, Hamid Karzai, holding his first rally on Tuesday. Militants from the Taliban and al-Qaeda have said they will target the vote. Afghanistan's election campaign is drawing to a close, just hours after it sprang into life. For nearly four weeks the candidates' posters, pasted to walls

across the country, were the only sign that a democratic ballot was imminent. But on Tuesday, amidst high security, President Karzai finally held a public rally, giving thousands of Afghans a chance to show their support for the clear favourite. Although the other leading contenders, including the former education minister, Yunis Qanuni, and the Uzbek regional leader, Abdul Rashid Dostum, have been more active, this is an election that is likely to be won behind closed doors. Many of the candidates have met factional and tribal leaders in an attempt to secure the support of blocs of voters. When the polls open on Saturday morning, insecurity will be the major concern. Afghan and international forces will be on high alert but many fear that Afghanistan's first ever democratic poll will be marred by violence from militants. (BBC)

UZBEK PRESIDENT MEETS WITH ASSISTANT U.S. SECRETARY OF STATE

6 October

Uzbek President Islam Karimov met with visiting Assistant U.S. Secretary of State for Political-Military Affairs Lincoln Bloomfield in Tashkent on Tuesday evening to discuss regional security and ways to counter transnational threats. The two men said that security in Central Asia is linked to efforts aimed at restoring peace and stability in Afghanistan, Karimov's office told Interfax on Wednesday. The Uzbek president applauded "vigorous contacts between Uzbekistan and the United States which are intended to contribute to Afghanistan's political and economic revival." (Interfax)

