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*Central Asia- Caucasus Institute
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THE CENTRAL ASIA-CAUCASUS ANALYST

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

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

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

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

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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RUSSIA'S DIMINISHING POWER PROJECTION OPTIONS IN CENTRAL ASIA

Roger N. McDermott

On February 17-21, Russia conducted its first surprise military inspection exercise in twenty years. The exercise in the Southern and Central Military Districts (MDs) tested combat readiness levels in key formations. These involved the elite Airborne Forces (VDV), Ground Forces brigades, Military Transport Aviation (VTA) and the defense ministry's 12th Main Directorate. The top brass criticized the performance of officers and soldiers and equipment deficiencies following the exercise, which also revealed the limited power projection options the Russian military possesses in relation to Central Asia.

BACKGROUND: The military exercise itself was unusual in the lack of advanced warning to units involved; only after orders arrived from the General Staff did commanding officers commence the task of raising their units to full readiness and relocating to a designated point. More than 7,000 servicemen participated with several hundred pieces of hardware and up to 48 aircraft. Maintenance personnel in the 4th Air Force and Air Defense Command were praised, alongside a VDV battalion tactical group (BTG) drawn from the 98th Airborne Division. This force is also assigned to the CSTO Collective Rapid Reaction Forces. Likewise, the VTA was considered to have performed their mission well, using 20 Il-76 transport aircraft to airlift the VDV unit in severe weather conditions 100 kilometers from Ivanovo to the Chebarkul training ground in Chelyabinsk Region.

However, reflecting on the exercise the Chief of the General Staff, Army-General Valeriy Gerasimov presented a litany of failure and lamented the equipment weaknesses confirmed during the surprise inspection. Gerasimov complained about ageing BMD-2s in the VDV inventory, which are 20 to 25

years old. Problems were detected in Mi-8, Mi-24 helicopters, Su-25 aircraft, Msta self-propelled artillery and R-168-5UN radios. The Chief of Staff said these were among a few examples of equipment related drawbacks. Some air assets assigned to the exercise remained grounded, as Gerasimov later said that only 66 percent of such air assets remain serviceable.

Gerasimov used his videoconference with senior Russian commanders to criticize the defense industry. On the Volk armored vehicle, originally earmarked for introduction into the Armed Forces by 2010 and plagued by numerous setbacks and delays, Gerasimov explained that the vehicle is not operational across twelve key indicators, and implied the project could be scrapped. On the BMD-4, which the command of the VDV has heavily lobbied to procure, Gerasimov expressed surprise that only three can be loaded on an Il-76 and that with their crews sitting inside the vehicles, each weigh 14.2 tons. In his view, too frequently the domestic defense industry fails to design and develop the hardware required by the Russian military.



On this basis, Gerasimov ordered commands to study the results of the surprise inspection, in order to implement corrective measures, and promised that more such inspections will occur in the future. In his criticism of personnel and repair and maintenance capabilities, Gerasimov highlighted, albeit inadvertently, the low level of strategic mobility in the Russian Armed Forces, and his comments singled out Central MD and the 201st Military Base in Tajikistan.

IMPLICATIONS: In addition to pinpointing equipment-linked issues and personnel challenges in the future development of the Armed Forces, strategic mobility was also a major concern for the General Staff. This relates to the ability to move units and equipment at speed from one part of the country to a crisis zone and deploy and sustain these forces in combat operations over time. And it is precisely in this area that the exercise demonstrated the limited power projection tools at Moscow's disposal during a future crisis within Central Asia.

Gerasimov confirmed that personnel in the exercise demonstrated low shooting skills in weapons handling, even extending to tank crews. Most units were given a "satisfactory" grade in this area, which Gerasimov considers to be a damning indictment of the 2012

graduates of military schools. Such weaknesses were also evident among armored vehicle and tank drivers. At command level, officers struggled to use the prototype automated command and control (C₂) system to issue orders. The Chief of the General Staff castigated the personnel in the 28th Motorized Rifle Brigade (MRB) in Central MD, which would play a critical supporting role during Russian military operations in Central Asia. And communication was singled out as a major weakness at the 201st Military Base in Tajikistan, which is placed under the Central MD, where telephones went down and other C₂ issues emerged. During the SCO Peace Mission exercise in June 2012, the 201st Military Base had to be reinforced ahead of the war games by personnel from the 28th MRB.

Returning to his themes of identifying hardware issues and tying this to the condition of the defense industry, Gerasimov explained that BMD-2s broke down and could not be repaired. It is common, in Gerasimov's opinion, for platforms provided from the defense industry to break down within their first few months in service; equally the capacity of repair and maintenance depots to carry out timely overhauls is a cause for concern.

Indeed, despite reforming the combat service support system in 2010, the reformed structures still struggle to carry out all but the very basic repair tasks. In the combined-arms brigades repair and maintenance battalions can only handle around five percent of hardware repairs, with most being sent back to repair depots. 99 percent of electronic or computer linked repair and maintenance cannot be handled at battalion level and has to be returned to depots. Deputy Defense

minister Dmitry Bulgakov promised further reform of the “repair and reconstruction” battalions by June 1, 2013, in order to become capable of carrying out their own basic repair and maintenance work; only medium sided repairs and overhauls would involve defense industry enterprises. These personnel challenges greatly reduce the capability of the combat service support to sustain Russian combat power in theater for a protracted period.

CONCLUSIONS: While many of the problems exposed during the inspection of combat readiness were predictable, a number of factors confirm the on-going weaknesses of Russian military strategic mobility; this has important implications for Russian security policy in Central Asia. While the BTG performed well, and the VTA moved these forces quickly over distance (100 kilometers), these forces are lightly armed and in any case would be “first-in” during military operations. VDV units may be moved by air, but the Ground Forces brigades with organic heavy equipment require ground lines of communication (GLOCs). Russian troop

deployment consequently remains heavily tied to the railroad system. But the problems encountered in C2, standards in combat training linked to firing or driving skills, combined with the lack of contract and specialist personnel all serve to restrict Russia’s power projection options.

Yet, the severe skill shortage among the combat service support units further exposes the limitations of harnessing hard power during any regional crisis. These organizational weaknesses will take considerable time to redress. Such exercises show that the General Staff is aware of these challenges and wants to use the motif to correct existing failings. But for the foreseeable future, Moscow cannot risk military deployment in Central Asia where there is any likelihood of the timescale becoming elongated.

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WHAT OPTIONS FOR U.S. INFLUENCE IN CENTRAL ASIA AFTER MANAS?

Jacob Zenn

Kyrgyzstan has made clear that the U.S. must withdraw all of its troops from the Transit Center in Manas when the current lease agreement expires in the summer of 2014. During the ten-plus years of U.S. presence in Afghanistan, the U.S. depended on Central Asian countries, particularly Kazakhstan, Kyrgyzstan, Uzbekistan and Tajikistan, to funnel military supplies through the Northern Distribution Network into Afghanistan. This led to an increase in U.S. military and political influence in Central Asia. However, with the U.S. withdrawal from Afghanistan and Kyrgyzstan opposing continuing the lease, there are doubts whether the U.S. will retain any influence in Central Asia after 2014.

BACKGROUND: Between 2001 and 2005, the U.S. Army, Air Force and Marine Corps were supporting operations in Afghanistan primarily from the Karshi-Khanabad air base in southeastern Uzbekistan, also known as “K2.” However, in 2005, Uzbekistan’s government evicted the U.S. from Karshi-Khanabad after disputes arose over rent payments and U.S. criticism of Uzbekistan’s human rights abuses in suppressing the Andijan uprising earlier that year.

In December 2005, U.S. forces began using “Ganci,” which was later renamed the “The Transit Center at Manas International Airport.” Located outside of Bishkek, Kyrgyzstan, it became the sole facility in Central Asia supporting U.S. operations in Afghanistan. The base’s importance soon increased significantly, with high level visits between U.S. and Kyrgyz military officials becoming commonplace. The Transit Center also had a significant economic impact for Kyrgyzstan because it provided jobs to locals, rent payments to the Kyrgyz government for

the use of the airbase, and U.S. servicemen and women purchased local commodities in the airbase’s vicinity.

The U.S. lease for the use of the airbase is set to expire in 2014 and Kyrgyzstan’s President Almazbek Atambayev has consistently stated that the lease will not be renewed. This would leave the U.S. without a base in Central Asia for the first time since 2001 and result in a loss of U.S. influence in the region as well as opportunities to engage high level officials in the host country. Behind Atambayev’s decision is Russian President Vladimir Putin, who is offering Kyrgyzstan an aid package of over US\$ 1 billion, on the main condition that Kyrgyzstan does not renew the U.S. lease in Manas. Putin has long sought to expel the U.S. from its “backyard,” and without a base in Manas, Putin would be closer to achieving this goal. It is unlikely that Atambayev will be able to resist Russia’s offer, raising the likelihood that the U.S. days at Manas are numbered.



Much of the U.S. focus on Central Asia since 2005 has been predicated on its use of the Manas Transit Center. However, this focus has ignored some other important reasons for Central Asia's importance to the U.S. The five Central Asian countries are ideological bastions against Islamic extremism to the region's south, such as in Iran, Afghanistan and Pakistan. Moreover, none of the five countries in the region are openly hostile to the U.S. Despite Uzbekistan's anger at the U.S. in 2005, this never translated into the anti-Americanism seen elsewhere in the Muslim World. Rather, it was a means for President Islam Karimov to send a message to the U.S. and other Western nations about the consequences of criticizing his government's record.

Other U.S. interests in Central Asia include the geostrategic goal of preventing another power, such as Russia or China, from dominating Central Asia as the USSR did in the twentieth century, access to the region's resources, the region's role in trans-Eurasian trade, and the promotion of democracy and liberal values. However, the military interest dominated U.S. relations with Central Asian states throughout the 2000s. With the lease of the Transit Center in Manas set to expire and lacking a clear strategy for the U.S. military to

stay in Central Asia after the war in Afghanistan, the U.S. may not have the capacity to pursue any of its interests in Central Asia.

IMPLICATIONS: The Transit Center at Manas has provided the U.S. military with an important vehicle for dialogue and engagement between the U.S. government and its Kyrgyz counterparts. With the cessation of U.S. operations at the Transit Center, it is unclear what will become the key vehicle for U.S.-Kyrgyzstan dialogue. The American University of Central Asia (AUCA), located in Bishkek, is now the main enduring physical legacy of the U.S. presence in Kyrgyzstan. While this institution provides valuable opportunities for academic exchange and research, it will not provide the same avenue for high-level dialogue between the U.S. and Kyrgyzstan. According to Muratbek Imanaliev, President of the Institute of Public Policy in Kyrgyzstan, "if Manas Airbase is removed from Kyrgyzstan, all our contacts with the U.S. government will stop ... the Transit Centre at Manas is the only channel and mechanism of U.S.-Kyrgyzstan contact."

Russia is also planning to reassert its presence in Kyrgyzstan after the U.S. military departs the Transit Center at Manas. Rather than creating a so-called "civilian logistics center" with the U.S., which the U.S. proposed as an alternative to using the Transit Center as an airbase, Atambayev is considering establishing a "joint Kyrgyzstan-Russia logistics center" at Manas airport. This logistics center would simultaneously further President Putin's longstanding objective of restoring Russian influence in the former Soviet space and reduce the number of U.S. military forces close to Russia's borders, which Putin has also long desired.

The U.S. seems to have a “plan B” in store after Manas, however, which is to establish a military base or Rapid Response Center in Uzbekistan. The acrimony between the U.S. and Uzbekistan that existed in 2005 has settled and such an agreement could prove beneficial for both countries. It would allow the U.S. to maintain a presence in Central Asia, while also allowing Uzbekistan some leverage against Russia, whose influence is rising in rival countries Kyrgyzstan and Tajikistan. Moreover, a Rapid Response Center would help both the U.S. and Uzbekistan respond to the possible flow of militants from Afghanistan into Uzbekistan after the U.S. withdrawal from Afghanistan. The Islamic Movement of Uzbekistan (IMU) and other Central Asian militant groups have stated that Central Asia remains their ultimate goal, even though they have been training and carrying out attacks with the Taliban for much of the last decade.

As evidence of a possible pro-U.S. turn in Uzbekistan, it ended its membership in the Russia-led Collective Security Treaty Organization in December 2012 ([See 20 February 2013 issue of the CACI Analyst](#)). This could be interpreted as a move that is motivated by the country’s intention to allow the U.S. to set up a military base in lieu of a closer alliance with Moscow. The CSTO requires members to get permission from other members before allowing foreign military bases on their soil, but now Uzbekistan is not bound by this clause,

freeing Uzbekistan up to allow a U.S. base. There are concerns in Uzbekistan that a renewed U.S. presence in Uzbekistan could motivate the Taliban and other militants, including the IMU, to label Uzbekistan a U.S. “puppet” and provoke them to target Uzbekistan for its cooperation with the U.S. It remains unclear whether these concerns will override the possible economic benefits of the U.S. paying for basing rights and the ability of Karimov to use an alliance with the U.S. to ward off Russian influence in neighboring Kyrgyzstan and Tajikistan.

CONCLUSIONS: After having expended more than ten years worth of resources for the war effort in Afghanistan since October 2001, it would represent a failure for U.S. foreign policy if it left Central Asia without a way to maintain enduring high-level contacts to the governments in the region. The Transit Center at Manas had value not only in facilitating the war effort in Afghanistan, but also providing an avenue for U.S. engagement in Central Asia. After the Afghanistan War, there are likely to be many political, economic and social changes in Central Asia, but without a base in the region it will be difficult for the U.S. to exercise leadership to promote democratic values, economic integration regional security.

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UZBEKISTAN'S BAN ON SALE OF FOREIGN BANKNOTES SIGNALS UPCOMING DEVALUATION OF UZBEK CURRENCY

Nargiza Majidova

Starting from February 1, 2013, a ban on purchasing cash in foreign currency was introduced in Uzbekistan. From now on foreign currency banknotes can be obtained only through non-cash operations as a prepayment order on the bank account. On February 4, regional mass media reported that Uzbekistan's government was ordered to reduce the quantity of imported goods, and to substitute these with locally produced ones. These currency regulations of Uzbekistan's National Bank could signal an upcoming devaluation of Uzbekistan's currency. An alternative interpretation is that the measure aims to preserve Uzbekistan's hard currency reserves and to protect the business interest of local entrepreneurs.

BACKGROUND: The ban on selling foreign banknotes to physical persons will primarily limit the circulation of the most widely used unofficial currency in Uzbekistan – the U.S. Dollar. In Uzbekistan, purchases of for example real estate or cars are usually done in U.S. Dollars rather than the local Som. This is primarily a matter of convenience, as the largest banknote of the Uzbek Som amounts to 1000 Soms, equaling no more than US\$ 0.35. As the market prices for cars vary from several thousand to several hundred thousand dollars, it is highly inconvenient to make payments in Uzbek Soms.

In fact, Uzbekistan has not had an effectively operational official currency exchange mechanism since the 1990s. According to domestic bank regulations, every citizen of Uzbekistan has the right to “purchase” up to US\$ 2000 on a quarterly basis. In practice, however, if this right was widely exercised, there would be no foreign cash available in the bank reserves. Thus, the foreign currency “black market” has been the primary supplier of foreign banknotes, applying an exchange rate one third higher than the official rate.

Nevertheless, black market currency has been very popular among the Uzbek public, as it has not applied any regulations to the amount of cash available for purchase.

As the ban was introduced, the “black market” exchange rate began to fluctuate dramatically, going up by 10% and down. A sudden sharp deficit of foreign currency on the black market caused an unprecedented level of demand and panic among the local population. Adding to the public concern was a number of arrests of “black market” operators and car traders who were performing their operations in foreign currency, namely US dollars. Furthermore, the situation was aggravated by the fact that the international currency plastic bank cards that Uzbek authorities introduced as the only legal means for purchasing foreign currency within Uzbekistan and for free use outside the country have either proven not to be accepted by certain banks outside Uzbekistan or have strict cash withdrawal limits (US\$ 200-400 per day in different countries and different banks). Some people have reported that these cards were not accepted for purchases via internet, and for other non-cash transactions.



IMPLICATIONS: Along with the view that the regulations aim to protect the state's foreign exchange reserves, many experts think that the Uzbek Som is about to undergo devaluation. Considering that the ban on foreign currency purchases in Uzbekistan was accompanied with an order to reduce the import of goods and substitute them with local produce, a devaluation of the Som could serve as a means for increasing exports. An increase of the currency exchange rate makes imported goods expensive and stimulates production inside the country. In addition, by outlawing purchases of foreign currency the authorities deprive the population of a possibility to invest saved money, thus stimulating more spending on goods and services, which eventually benefit the state budget.

The National Bank of Uzbekistan explained that the aim of the initiative is to strengthen the status of the Uzbek Som as “the only legal tender in Uzbekistan” and “to meet international standards for preventing money laundering.” It is clearly a desperate move by the Bank, and it remains to be seen whether the ban will deter any determined individuals from using foreign currency and continuing exchanges on the black market. As of today, local sources report that the foreign currency

black market still operates, albeit exercising slight caution and not as openly as previously.

Yet, many Uzbeks whose subsistence depends on remittances sent from family members primarily residing in Russia fear that the measure could restrict their access to the U.S. Dollars and Russian rubles they currently receive through money transfer services. At the moment, however, several local sources report that residents have so far not experienced problems in claiming dollars wired to Uzbekistan using bank transfers, or Western Union-type systems. Nevertheless, several reports exist on problems with the international bank cards to be used for withdrawal of foreign currency outside Uzbekistan, which were introduced as part of the new policy. These are often not accepted by foreign ATMs and banks, thus blocking access to transferred funds.

For the next couple of months, experts provide a bleak outlook for the prospect of economic stability in Uzbekistan. Local observers already report rising prices for basic goods and a likely expansion of the shadow economy. The latter is also a consequence of the mentioned regulations on importing goods to Uzbekistan, which now requires loads of paperwork.

Simultaneously, analysts note that it is difficult to imagine that Uzbekistan's limited domestic manufacturing potential would be capable of providing substitutes in sufficient quantity and quality to offset the expected price fluctuations. The result of a small survey conducted by the independent information service of Uzbekistan's Uznews.net among retail traders in Tashkent suggest that most traders are ready to sell local goods, although

some import is still needed – especially of goods like coffee or fish, which cannot be produced locally. Many entrepreneurs consider the regulations to send worrisome signals about their future operation and levels of profit, while all agreed that it will affect their customers, which will now have to pay more for all goods, imported as well as locally produced.

Uzbekistan occupies place 162 out of 177 in the U.S. Heritage Foundation's Index of Economic Freedom. The republic is not considered to have a free economy. The measure once again represents an attempt by Uzbek state authorities to improve a poor economic performance by exercising control over the free market mechanisms.

CONCLUSIONS: While the Uzbek authorities claim to pursue a good cause by banning the sale of foreign currency to physical persons, the immediate effects do not seem to have a positive impact on the population at large. The State Tax Committee, the state agency responsible for investigating crimes related to foreign currency exchange, warned that breaking the law may lead to criminal charges against physical persons. For now, the main effect of the new regulations is abnormal fluctuations

of the currency market for U.S. Dollars, public concerns over expenses and remittances, and increased incentives for an expanded shadow economy.

On the other hand, non-cash operations is a normal procedure widely practiced in many countries of the world. The newly introduced regulation stipulates a wider use of this practice in Uzbekistan, without cutting people off from the use of foreign currencies. Furthermore, it has been suggested by several analysts that the regulation provides Uzbekistan's citizens with increased possibilities to obtain foreign currency legally and without supporting the black market, which used to buy foreign banknotes directly from the banks and sell them at a profit of up to 40 percent. Conversely, the new regulations imply that the national bank's rate will be applied for new foreign currency bank accounts. In this light, many analysts downplay the panic and discontent among local population as exaggerated.

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KAZAKHSTAN OFFERS MEDIATION IN NUCLEAR TALKS BETWEEN IRAN AND THE WEST

Georgiy Voloshin

On February 26-27, Kazakhstan's southern capital, the city of Almaty, hosted another round of international talks regarding Iran's nuclear program. This high-level meeting attended by representatives of the P5+1 group of countries and Iranian officials was earlier confirmed by the European External Action Service, which is currently acting as one of Tehran's main interlocutors. Although Kazakhstan is not formally involved as a negotiating partner, it decided once again to use its global reputation as a firm supporter of the International Atomic Energy Agency and the non-proliferation policy in providing its territory for the first round of talks in 2013.

BACKGROUND: Kazakhstan became a staunch defender of nuclear non-proliferation in August 1991, when President Nursultan Nazarbayev decreed the closure of his country's only nuclear test site located near the city of Semipalatinsk. Almost twenty years later, the date of August 29th was officially recognized by the United Nations as the International Day against Nuclear Tests, in commemoration of all the nuclear explosions since the invention of the atomic bomb.

In December 1993, Kazakhstan's Supreme Council ratified its accession to the Nuclear Non-Proliferation Treaty. Several months later, Kazakhstan received, together with Ukraine and Belarus, security guarantees from the world's recognized nuclear powers and reconfirmed its intention to abandon atomic weapons. The Kazakhstani Government also allowed Russia and the U.S. to withdraw remaining radioactive materials from its territory in exchange for financial support

directed towards the goals of effective nuclear waste management and safe uranium production.

In February 1994, Kazakhstan became a new member of the IAEA and has since then been a source of multiple initiatives aimed at promoting non-proliferation goals and principles throughout Central Asia and beyond. One of the latest proposals made by the country's leadership was the establishment of an International Nuclear Fuel Bank on Kazakhstan's territory, whose principal objective would be to enforce the highest standards of nuclear safety used by the IAEA while allowing third parties to enrich their uranium for the purpose of peaceful power generation. While this proposal was already contained in Foreign Minister Saudabayev's letter to the IAEA Director General in December 2009, the formal application was filed only in July 2011 and has obtained positive reactions from dozens of countries.



Kazakhstan has also supported the Comprehensive Test Ban Treaty signed by its representative at the UN General Assembly of September 1996 and subsequently ratified in 2001. In 1999 and 2007, it acceded to two UN conventions banning the production, use and storage of both chemical and bacteriological weapons. Since Kazakhstan is one of the world's biggest producers and exporters of uranium, its membership in the Nuclear Suppliers Group, effective since 2002, provides it with another opportunity to demonstrate its strong and sincere commitment to the global fight against nuclear terrorism and proliferation. Finally, in 2006, the city of Semipalatinsk hosted the signing of an agreement declaring Central Asia an area free from nuclear weapons.

IMPLICATIONS: In recent years, Kazakhstan has been particularly active in promoting its non-proliferation agenda and highlighting the historic significance of President Nazarbayev's decision to close down the Semipalatinsk test site. In this regard, Nazarbayev is frequently cited as a potential candidate for the Nobel Peace Prize, while his achievements in this field are discussed by both Japanese parliamentarians and Canadian bikers collecting endorsements for his eventual nomination for the world's

most prestigious award. Moreover, Kazakhstan is often praised by its partners for conducting a proactive foreign policy based on its widespread perception as a country respectful of international law and supporting peace and cooperation among UN member states.

On December 1, 2010, when Astana was hosting an OSCE summit, Nazarbayev once again called on Iranian authorities to demonstrate their good will and prove to the whole world that their nuclear program was not directed towards military goals. Although Kazakhstan's OSCE agenda was heavily centered on the resolution of long-standing disputes in Europe, for example between Armenia and Azerbaijan or between Moldova and the breakaway region of Transnistria, Nazarbayev's reference to the Iranian nuclear program served as a clear indication of his country's unending interest towards Middle Eastern affairs.

In March 2012, Nazarbayev authored an article in the *New York Times* where he urged Tehran to follow Kazakhstan's example in developing a peaceful nuclear industry under the IAEA's supervision. Two months later, his Minister for Foreign Affairs Erzhan Kazykhanov proposed Astana's mediation between Iran and the West as regards the easing of international sanctions imposed on the Iranian economy in exchange for improved dialogue and increased transparency on the issue of uranium enrichment at Natanz and Fordu, Tehran's two only nuclear facilities.

For today's Kazakhstan, Iran still remains an important political and economic partner. Even though Kazakhstani-Iranian trade statistics are far below their potential level because of the international sanctions (the

current trade turnover is slightly over US\$ 1 billion), Kazakhstan considers Iran as a gateway to the Persian Gulf and a strategic diplomatic and security player in the Middle East. At the same time, despite Tehran's closer ties with Tajikistan, where it has sponsored the construction of several factories and hydropower plants, it views Kazakhstan as Central Asia's unrivaled leader and a promising outlet for its industrial goods.

Whereas Iran's relations with the West were previously managed by Turkey acting as a middleman, Ankara is currently increasingly opposed to Tehran's support of Syrian President Bashar al-Assad and concerned about the implications of the unending Syrian crisis for its own security. In this context, Kazakhstan may be regarded as the second best choice to mediate between Iranian authorities and Western governments, given its track record as a formerly nuclear country that unilaterally abandoned its weapons for the sake of world and regional peace. While Kazakhstan claims that nuclear production should be placed under the supervision of an international body, it implicitly recognizes Iran's right to have its own nuclear industry and stands against the use of double standards, in line with Tehran's own arguments.

Although Kazakhstan is vitally interested in maintaining peace and stability in Central Asia, notably through its peacemaking efforts on the Iranian nuclear issue, its margin for maneuver is anything but large enough to expect any rapid positive shift. Notwithstanding the re-launch of talks and the EU's commitment to abstain from any new sanctions against Iran, authorities in

Tehran are still keen to pursue uranium enrichment, which remains a matter of national pride and evidence of the country's international standing. Therefore, the normalization of trade with Iran is likely to remain off the list of achievable goals, with Kazakhstan's involvement being limited to the prevention of regional conflict and radicalism.

CONCLUSIONS: According to most analysts, the Almaty meeting of late February was mostly unproductive, as it did not resolve the main contradictions existing between Iran and the West with regard to Tehran's nuclear ambitions. However, it permitted an agreement on the schedule for the next meetings, one of which is expected to take place in Almaty in early April, after a technical meeting in Istanbul planned for March 18. The resumption of direct talks between Tehran and the Western capitals confers on Kazakhstan a new responsibility and additional international visibility that it frequently seeks in spite of its own limited resources and a short history of involvement as a mediator (unlike Switzerland or Turkey). At the same time, Kazakhstan's authorities remain deeply interested in assisting a productive and fruitful outcome of negotiations around the Iranian nuclear issue via their good offices, as Kazakhstan's security and prosperity largely depends on the state of regional affairs in Central Asia where Iran continues to play a strategic role.

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FIELD REPORTS

NEW PROTEST MOVEMENT EMERGES IN ARMENIA

Haroutiun Khachatrian

A new public movement named Barevolution, from the Armenian word Barev (Hello) is emerging in Armenia. Its initiator, Raffi Hovannisian, claims he won the presidential elections of February 18, and calls on their official winner, current President Serzh Sargsyan, to resign. Yet, this belief seems based on emotions rather than facts. The movement does not so far enjoy much support; however, Hovannisian hopes it will continue growing.

According to official data, Sargsyan won the presidential election in the first round by 58.64 percent of the votes. His reelection for a second five-year term has been recognized internationally and Sargsyan has received congratulations from Russia, France, China, the U.S. and the EU, and all its neighbors except Azerbaijan. Hovannisian, who came in second, is now challenging the official results.

Hovannisian, 54, was born in Fresno, California, and is the son of renowned historian Richard Hovannisian. He resides in Armenia since 1988, and became Armenia's first foreign minister in 1992, but was sacked by the then President Levon Ter-Petrosian. Since then, he has obtained the status of a savior among many Armenians, notwithstanding his removal from official

positions held under President Kocharyan in 2000, or confusing campaign messages ahead of the February presidential elections.

Opinion polls performed in December revealed that some 10 percent of the voters would vote for Hovannisian. Yet, according to the Central Election Commission's official results, he obtained 36.74 percent of the votes. According to analysts, Hovannisian to a large extent received votes from people favoring other candidates, who were not nominated. The parliamentary parties Dashnaktsutiun, Prosperous Armenia and the coalition Armenian National Congress did not present candidates for the election. Yet, immediately after the official results were publicized, Hovannisian declared that he, not Sargsyan, had won the elections.

However, Hovannisian has never commented on the number of votes he obtained, instead claiming a "popular victory" and demanding Sargsyan's resignation due to violations during the vote. This statement was based on the assumption that the limited violations revealed indicated a much larger pattern of election fraud. On March 5, Hovannisian decided to file an application to the Constitutional Court, the only organ capable of annulling the results of an election. The

application was accompanied by a statement saying, "I know that I'll be rejected as the courts in Armenia are not independent."

Meanwhile, Hovannisian has failed to address why all the representatives of his party and other non-coalition parties signed the election protocols and why they did not report on the violations earlier. In comparison, Ter-Petrosian reported a much larger number of violations in 2008. Hovannisian's representatives have cited a lack of resources as the reason for the late reaction to violations. Yet, the narrative of election fraud also feeds into Hovannisian's campaign message of Armenia heading in a wrong direction, manifested in high poverty rates and out-migration, and Hovannisian's promise of quick fixes to these problems if elected president.

These beliefs also have followers among Diaspora Armenians. Californian singer Serj Tankian, a member of the famous group System of a Down, has written two letters to Sargsyan, while Vardan Petrosian, a famous French actor, arrived in Yerevan to take part in Hovannisian's rallies. In Armenia, the movement is supported by several small groups, including some university students who have tried to organize a strike. Many speak of a political crisis in Armenia, but Hovannisian's rallies are attended by much fewer participants than those in 2008, which nevertheless failed to bring down the government.

Still, the movement Hovannisian has initiated has brought a new element into Armenian

politics. Whereas political opponents have traditionally been regarded enemies, Hovannisian has avoided overly polarizing rhetoric and underlines that he respects opposing opinions, in stark contrast to Ter-Petrosian's 2008 characterization of the regime as "robbers." When declaring the formation of his movement, Hovannisian stated, "I respect Serzh Sargsyan's contribution to the Karabakh war. Don't use any name, this is the victory of the Armenian people. Just say 'barev'. And what we are doing is called 'revolution barev'," giving rise to the English term "barevolution."

On February 21, Hovannisian visited the presidential residence and had a friendly meeting with Sargsyan, which was an unprecedented event in the history of Armenia. Very little is known about their discussion, which lasted for more than one hour. On March 2, Hovannisian met with the leadership of the second largest parliamentary faction, Prosperous Armenia.

Hovannisian now finds himself in a difficult situation. On one hand, he has stated that the people's victory – a change of the election result, will require a long struggle. On the other, he has said that Sargsyan's second inauguration ceremony, scheduled for April 9, will not take place, although he has suggested few concrete avenues for action. His next rally at the Liberty Square in Yerevan is scheduled for March 8 and Hovannisian is travelling to the provinces for local meetings. Of the parliamentary factions, he enjoys the support only of his own Heritage party and Dashnaktsutun.

GEORGIA MOVES CLOSER TO POLITICAL CRISIS

Eka Janashia

A March 4 meeting between the Georgian President and Prime Minister did not yield any tangible results. The two leaders aimed to reconcile the Georgian Dream (GD) coalition's and the United National Movement's (UNM) party positions over the constitutional amendments thwarted on February 20 due to divergent views on the extent of amnesty for former officials.

On the same day, Parliamentary Speaker David Usupashvili said that much progress had been reached through power-sharing talks on almost all controversial issues such as the increased threshold for any future constitutional amendment from 100 to 113 MPs; the incorporation of the UNM-proposed wording on foreign policy in the constitution; the endorsement of the new constitution ahead of schedule though maintaining the president's right to appoint governors; the abstention from subjecting the constitutional amendment on the parliament's location to a vote before the presidential elections in the fall; the preservation of a high bar to override the presidential veto; and maintained provisions related to presidential impeachment.

However, Usupashvili lamented that the UNM at the last minute demanded an unconditional and full amnesty for all ranks of public officials, including employees of municipalities, and that the amnesty is applied to all wrongdoings except for violent crimes.

In attempts to preserve achieved progress, GD proposed a "partial amnesty" implying full pardon for low and mid-level public servants,

though with the precondition that they admit to committing unlawful activities. Nevertheless, while confessions would exempt officials from criminal prosecution, they would not be able to take public office for 5 years.

According to Usupashvili, the UNM then suggested a full amnesty for all public officials with the exception of the president, ministers and parliamentarians, and with the exception of violent crimes committed before October 1, 2012 but that GD declined the offer. It would be hard to explain to the society why everyone had been pardoned except for the President, parliamentarians and ministers, he said.

Commenting on Usupashvili's remarks, the UNM parliamentary minority leader David Bakradze claimed that the question of amnesty was not set forth as a last-minute proposal but had been raised continuously by the UNM throughout the process of negotiations. "As of now about 15,000 people have been questioned [by the law enforcement agencies] just because they are affiliated in some form with the United National Movement," he stressed.

On the day after the failed power-sharing talks Vano Merabishvili, the former PM and presently the secretary general of the UNM, called on patriots to join the rally on Rustaveli Avenue in downtown Tbilisi on April 19 to protest the policies of the GD-led government. The early announcement triggered speculations about the possibility of tensions stemming from a possible use of constitutional power by the president. In the

present constitution, the president can dissolve parliament only within the timeframe of six months after the parliamentary and six months prior to the presidential elections. This means that Saakashvili could sack the parliament from the beginning of April, given that the last parliamentary polls took place on October 1. However, the constitution stipulates that he needs to dismiss the government before parliament.

Importantly, the constitution does not set a timeframe regarding the president's right to dismiss the prime minister and government, which could theoretically be done at any time. Further, if the parliament disapproves of a new cabinet presented by him three times, the president will have the capacity to sack the latter but should do so within the restricted timeframe. In case he does not manage to do so due to prolonged procedures caused by the GD delay tactics, the president is empowered to appoint a prime minister and government without support of the parliament.

This is the reason why PM Ivanishvili insisted, in his open letter released on February 26, on obtaining a "clear-cut

response" from Saakashvili regarding the GD-proposed constitutional amendment envisaging the restriction of presidential power to appoint the government without parliament's consent. "I will not accept [answers] like 'yes, but' or 'not today, tomorrow'," Ivanishvili wrote and pledged to put the amendments on vote before the end of March.

If by that time GD will gather the necessary votes to endorse the amendments, the president will lose even his hypothetical leverage to dismiss both the government and parliament and thus the possibility of influencing GD's grip on power.

Saakashvili certainly understands the possibility of such a scenario as well as the risks deriving from his use of constitutional rights. The UNM-initiated April rally should be considered as a message of warning to the government, implying that without strong guarantees, the president may decide to use his power especially if GD's chances of attracting much-needed votes will grow in the upcoming month. Such a move, however, will undoubtedly turn the failed cohabitation into political crisis.

GEORGIA'S PRESIDENT ALLEGES PLANNED POWER SHIFT IN AZERBAIJAN

Mina Muradova

A recent statement of Georgia's President after his visit to Baku, alleging that Russia was going to destabilize the situation in Azerbaijan as it did in his country before last year's elections, has caused concerns in both countries. The statement appears in a situation where Baku reportedly experiences

tensions with Moscow, but Tbilisi is seeking to normalize its relations with Russia.

President Mikheil Saakashvili visited Baku on February 27-28. After his meeting with President Ilham Aliyev, the two presidents praised ties between the countries at a joint press conference, "No matter who is in power

in Georgia, the friendship between our country and Azerbaijan will live on ... Over the last 10 years, no country in the world has done as much for Georgia as Azerbaijan, has not given us as much support as Azerbaijan,” Saakashvili said in response to Aliyev’s assertion that Georgia and Azerbaijan are engaged in a “strategic partnership,” that is “developing and strengthening.”

However, when arriving at the Tbilisi airport, Saakashvili stated that Russia plans to stage the same “scenario” in Azerbaijan as it applied in Georgia before the 2012 parliamentary elections. “Georgia faces a split, and a change of power ... and now the Georgian script threatens Azerbaijan,” Saakashvili told journalists adding that Soyun Sadykov, a “billionaire” originally from Gardabani, a region of Georgia mostly populated by Azeris, has promised to obtain “autonomy for the Azeri population in Georgia” residing in the Kvemo Kartli region. According to Saakashvili, this is similar to the agenda of the recently pardoned Armenian activist Vahagn Chakhalyan, who advocates autonomy for Georgia’s Armenian minority settled in the Samtskhe-Javakheti region. Sadykov cooperates with another Azeri billionaire, Lukoil president Vagit Alakbarov, to “arrange a change of power in Azerbaijan using a large amount of money.”

According to Turan news agency, Sadykov has long been living in Moscow. A former KGB officer, he became a successful entrepreneur and reportedly a confidant of President Putin. He is one of the founders of the Union of Azerbaijani organizations in Russia, the so called “Union of Billionaires,” bringing together the richest Russian businessmen of Azerbaijani ethnicity. The emergence of this Union in September of 2012

has angered Baku, which views it as indicative of a Russian strategy to use the money of these oligarchs to finance a shift of power to a Moscow-supported leader similar to Bidzina Ivanishvili, the Georgian-born businessman who made billions in Russia and last year became Georgia’s prime minister on a platform that included improving ties with Russia.

In an interview to APA news agency on March 4, Sadykov rejected Saakashvili’s statement. “Neither Vagit Alakbarov or I have anything to do with Azerbaijan. We are Russian citizens. We work in Russia. Saakashvili knows me very well. His claim is a big blow to Georgia’s image,” Sadykov stated.

Official Baku also expressed its confusion with the statement. In an interview to *Newtimes.az* on March 2, Novruz Mammadov, head of external relations department in the Presidential Administration said that Saakashvili’s assertion caused “amazement.” According to him, despite some “similarities” between processes taking place in Azerbaijan and Georgia, there are also a number of differences. “The statement that some representatives of our Diaspora in Russia have a threatening position towards Azerbaijan can reflect only his own opinion ... As a participant of many meetings with Saakashvili in Baku, I can say that such an issue was not discussed with him and there was no need for this,” said Novruzov.

Concerning the current state of relations between Azerbaijan and Russia, Novruzov noted that ties between the countries are “normal and friendly ... It is a pity that Saakashvili voiced his attitude toward Russia and implicated Azerbaijan, as well.”

Azerbaijan has traditionally taken a measured approach in its foreign policy and avoided provocations against Russia. While the country experiences a similar threat to its sovereignty from Moscow, it has pursued a more multi-vectored approach than has Georgia, maintaining good relations with Russia, alongside its ties to Turkey, Europe, the U.S, Israel, and others. For its part, Russia is interested in maintaining a regional balance of power between Armenia and Azerbaijan.

Later on Monday, Georgian PM Ivanishvili issued a statement saying that “the irresponsible statements and actions” of the President contradicted the policy of the Georgian government and created additional problems for the new government: “...to restore the country's integrity and ensure peace in the region ... our task is to fulfill the assumed responsibilities to the European Union and NATO in full, strengthen our relations with neighboring Azerbaijan, Armenia, Turkey, and Ukraine even further, and take steps towards normalizing relations with Russia.”

He expressed regret that the president’s statement had put the governments of

Georgia’s allies and representatives of international organizations in “an awkward” situation. “I would like to state that the President of Georgia assumes full personal responsibility for his actions until the completion of his presidential term in October 2013; his visits will not be coordinated with the Ministry of Foreign Affairs of Georgia; and his statements will not represent the position of the Government of Georgia, unless confirmed otherwise by representatives of the country's new government,” the statement said.

However, Baku-based democracy activist Bakhtiyar Hajiyev urged the West through his Facebook page to take action: “Georgian President Saakashvili is a person who is serious enough and if he says that ‘Russia is preparing coup d’état in Azerbaijan’, then he possesses serious information that could be a ground to say so ... The United States should not be late this time. It should not to put the process of establishing a democratic state in Azerbaijan aside. If necessary steps are taken, then the United States will both rescue Azerbaijan from being an outpost of Russia and achieve democratic changes in Azerbaijan.”

RUSSIA TO REPLACE U.S. AIRBASE IN KYRGYZSTAN WITH CIVIC LOGISTICS CENTER

Joldosh Osmonov

After the U.S. evacuates the Transit Center at the Manas airport in 2014, Russia intends to replace it with a civic cargo logistics center. However, it is still unknown whether the U.S. airbase will actually be

removed and the heated discussions around the issue are at their height.

On February 6, an official Russian delegation led by the Russian Transportation Minister Valeriy Okulov

visited Kyrgyzstan with an aim to start negotiations on the creation of a logistics center after the U.S. transit center is withdrawn from the country. During the meeting with Kyrgyz Transportation Minister Kalykbek Sultanov, Okulov said that establishing a civic cargo center at the Manas International Airport is an important priority for Russia. He noted that this center will allow for increased capabilities of transporting air cargo and will open trade access to the countries of Southeast Asia.

Okulov emphasized that this visit had an intermediate and preparative function ahead of a large meeting on the issue soon expected to be held in Moscow. Okulov's visit is a follow-up to a visit by a Russian delegation in late December 2012, which inspected the airport its infrastructure.

Kyrgyzstan's First vice Prime Minister Joomart Otorbaev has stated that the U.S. has also voiced an interest in creating the logistics center. "We are offering the U.S. to convert the existing transit center into a civic one, therefore they are also taking part in it," Otorbaev said. According to Otorbaev, the project is open to participation for any interested party.

Some political analysts believe that the creation of a civic logistics center corresponds to the interests of all involved – Kyrgyzstan, Russia and the U.S. According to Sergey Masaulov, President of the Center for Perspective Research, the U.S. will keep its three military bases with 25,000 troops in Afghanistan after 2014. "It is obvious that they will need to support these troops and provide them with necessary supplies and this logistics center could easily be used for

these purposes," he said. For Kyrgyzstan, it is important to transform the transit center into an international cargo hub in order to avoid having the airport operating at a loss after the withdrawal of the U.S. airbase. The only demand from official Bishkek is the absence of any military component at the airport, and all three countries can come to an agreement based on this demand, according to Masaulov.

The news about Russia's intention to establish the logistics center has divided political forces and analysts in Kyrgyzstan into two distinct camps. While one some endorse cooperation with Russia in creating the new center, others argue that the U.S. airbase should be kept in place. The latter camp, represented by the Kyrgyz parliamentarian Ravshan Jeenbekov, insists on preserving the U.S. transit center, arguing that it is economically beneficial for the country. Jeenbekov says that the U.S. pays a rent fee amounting to US\$ 60 million annually and that an additional US\$ 100 million remains in the country as a result of business transactions related to the transit center. In addition, the issue of security is of utmost importance and the U.S. airbase serves to impede the risk of armed conflicts emerging in the region, the parliamentarian claims.

The opposing side puts in doubt the "security argument" saying that in the event of a war between the U.S. and Iran, the U.S. transit center in Kyrgyzstan will constitute a strategic target for Tehran. Regarding the US\$ 60 million revenue for Kyrgyzstan's budget gained through hosting the airbase, it is claimed that the logistics center, which is expected to become an international cargo

hub, will bring significantly higher profits to the country.

Meanwhile, numerous statements by Kyrgyzstan's President Almazbek Atambayev on the inevitable withdrawal of the U.S. transit center from the country's territory in 2014 could be taken to imply that the Kyrgyz side is leaving no room for a possibility of keeping the airbase. However, many local analysts claim that the story has not yet ended.

According to Kyrgyz political analyst Toktogul Kakchekeev,

the U.S. side will do everything it can in order to keep its airbase in Kyrgyzstan, including huge financial subsidies or even attempts to change the Kyrgyz government with an aim to bring western oriented political forces into power.

It is expected that the final decision on the fate of the airbase will be known in the upcoming months, which means that the discussions and speculations around this issue will continue.