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THE CENTRAL ASIA-CAUCASS ANALYST

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Submission Guidelines:

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

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

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

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

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

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

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

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CRIMEA IS NOT A PAWN ON THE UKRAINE CHESS BOARD - RUSSIA IS THERE TO STAY

Avinoam Idan

Russia's move to gain control over the Crimean Peninsula deviates from the context of the crisis in Kiev. Gaining control over Crimea is not a tactic in President Putin's hands vis-à-vis the competition over Ukraine's future. Crimea is not a pawn on the Ukrainian chess-board in the rivalry between Putin and Obama. The Crimean Peninsula is the "queen" in the chess game Putin is playing; it is aimed at nothing less than improving Russia's position in the entire Black Sea region, as well as in the area referred to as the Mediterranean Basin.

BACKGROUND: The onset of the moves that brought about the crisis in the Ukraine can be traced to the EU's initiative to build closer ties with the Ukraine, through its inclusion in an Association Agreement. Before the Ukrainian president's abandonment of this plan, the ratification of this treaty was to take place at an EU summit in Vilnius, which was to be held in November 2013. Intense pressure from Moscow, together with a Russian readiness to provide vital comprehensive assistance to Ukraine, whose economic situation is extremely critical, is said to have brought about Yanukovich's change of heart. This decision led to a demonstration in Kiev on November 13, 2013, wherein thousands of people took to the streets to demonstrate against this step and against the Russian pressure that brought it about, demanding a return to the policy of entering into an agreement with the EU. The center of opposition in central Kiev turned into mass demonstrations.

In February 2014, a compromise between the government and the opposition seemed imminent, brokered by representatives of Russia and the EU countries, a compromise that broke down as a result of a radicalization in opposition activity and the resulting response from the government. At least 80 people were killed, many more wounded. Yanukovich left Kiev shortly thereafter. After Yanukovich's removal, an interim government was established in Kiev until general elections could be held on May 25, 2014.

President Putin's first reaction to what he saw as the unlawful ousting of a legitimate president through by the illegitimate means of public demonstrations was to cancel Russia's huge financial commitment to Ukraine, as well as the intention to cut Russian gas prices. Putin then declared his intention to ensure the safety of Ukraine's Russian-speaking population, in addition to simplifying the process of Russian passport



applications for those among that same population who want to apply. Russia's intervention in the Crimean Peninsula began in the end of February, at first through local representatives of the pro-Russian section of the population and unidentified armed civilians, soon followed by a Russian army invasion. Russia has been in control of the Crimean peninsula since the beginning of March. The results of the Crimean referendum on becoming part of Russia, which was held on March 16, reflects the dynamics created by the Russian invasion of the region, and intensifies the tension between Presidents Putin and Obama.

IMPLICATIONS: The disregard for Russia's particular interest in Ukraine displayed by the U.S. and EU, as well as their encouragement of Ukraine's economic integration with the EU and their support for a change of government resulting from mass demonstrations and public protests, was bound to result in Russian countermeasures. Therefore, there should have been no surprise in Washington or in Brussels at Moscow's response.

Russia's seizure of the Crimean Peninsula should not be understood as a reaction to the Ukrainian crisis, but as an exploitation of it. President Putin's move in Crimea is intended to exploit the crisis in Kiev, which presents an opportunity for Russia to achieve its wider goals, relating to its geo-strategic status in the Black Sea region and the Mediterranean Basin. Crimea's strategic importance to Russia should not be underestimated. Control of Crimea will bestow upon Russia the status it desires in the Black Sea region, unattainable in its current situation of leasing naval bases from Ukraine for a specified period of time. Moreover, control of the Crimean Peninsula will significantly contribute to Russia's hold on the Mediterranean Basin and will help it to fly its flag in that vital maritime region.

As a result of the dissolution of the Soviet Union, Russia lost most of its previous access points to the Black Sea. Most of the coastline was then within the sovereign territory of two newly independent countries, Ukraine and Georgia. This is a constraint to which Russia is still struggling to adapt, since it has always been a country with limited access to the open seas, most of all due to climatic factors. President Putin has already proven his abilities to exploit crises in order to further his broader strategic goals; for example, in the Russian-Georgian war in 2008. As a result of that war – which began in South Ossetia – Russia de facto made Abkhazia a protectorate, hence

obtaining control over another coastal region on the Black Sea.

The Ukrainian crisis has created another golden opportunity. Putin knows how to take advantage of this crisis and Russia's moves in Crimea are not aimed at achieving an advantage in the ongoing political dialogue with Obama. Russian control over Crimea is a goal in and of itself. The amendment of Khrushchev's 1954 decision to transfer the peninsula to Ukraine, which seemed politically insignificant at the time, and returning it to Russia, has been Russia's goal for years. However, the strategic advantages of controlling the Crimean Peninsula are the key factor behind Russia's move in the opportune circumstances created by the crisis in Kiev.

From the Russian standpoint, experiences from the war in the Caucasus in 2008 are still valid and are part of the calculation in Putin's decision-making processes in the current crisis. Importantly, the 2008 war demonstrated the unwillingness and inability of both the U.S. and the EU to block a Russian military move toward advancing its position in an area that Russia regards as within its sphere of influence. As long as the U.S. is still involved in Afghanistan and in Iran, and in light of president's Obama decisions regarding Syria, there is a window of opportunity that allows Russia to exploit opportunities such as those presenting themselves in the Ukrainian crisis.

It is important to future international dialogue on Ukraine's future that both the U.S. and the EU understand that

Russia is in the Crimean Peninsula to stay. Crimea is not a subject for dialogue, as far as Putin is concerned, and the discussion between the foreign players involved in resolving the crisis, in his opinion, should start from that point. Additional threats remain a possibility, as well as further steps taken by Russia into Eastern Ukraine.

CONCLUSIONS: Ukraine is a central issue in Russia's perception of its national security. Russia's geographical characteristics make Ukraine vital and Russia considers the country to be of strategic importance on the highest level. In this light, there is nothing surprising about Russia's reaction to the EU's initiative to offer Ukraine a Deep and Comprehensive Free Trade Agreement. But Russia's involvement in Crimea complicates matters and severing Crimea from Ukraine is a separate issue. It is not primarily a Russian move to maintain its influence in Ukraine; even if Crimea would preserve its seemingly independent status, and is not formally annexed to Russia, Russia will maintain its influence in the peninsula. Instead, Russia will threaten to take further military steps in Ukraine, and may even do so, in order to strengthen its position in future discussions on the future of this country.

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THE CRIMEAN CRISIS AND GEORGIA'S BREAKAWAY TERRITORIES

Valeriy Dzutsev

Russia's support for the secession of Ukrainian Crimea is likely to affect Abkhazia and South Ossetia, which Russia unilaterally recognized after the brief Russian-Georgian war of 2008. Following the open confrontation with the West over Ukraine's territorial integrity, Moscow is now ramping up its control over Georgia's breakaway territories. Russia's entrenchment in Abkhazia and South Ossetia is linked to the Russian government's general sense of entitlement to the post-Soviet space and the perceived threat of retreating from it. While there are many parallels between how the situation in Crimea evolves and that in the South Caucasian semi-recognized territories, there are also some important differences.

BACKGROUND: On March 16, the referendum on Crimea's secession from Ukraine and its accession to the Russian Federation proceeded despite strong warnings from Ukraine and Western countries. Moscow denied that it exercised any pressure on the residents of the peninsula that are predominantly ethnic Russians. However, it is common knowledge that the Russian government orchestrated an armed overtaking of government buildings and infrastructure in Crimea, following the impressive victory of the revolutionary political forces in Kiev at the end of February. The revolution in Ukraine, where corrupt and authoritarian leader Viktor Yanukovich was ousted after months of street protests and the following Russian seizure of Crimea have vast implications for all involved parties and beyond. The parallels between the situation in Crimea and in the Georgian breakaway territories of Abkhazia and South Ossetia are especially acute.

Moscow hastily recognized Abkhazia and South Ossetia as independent states in August 2008 after a brief war with Georgia, despite protests from Tbilisi and Western countries. Since then, both territories have developed a complex relationship with their mighty Russian patron, which will likely be considerably affected by the events in Ukraine. After a brief period of debarment from the Kremlin's corridors, the notorious Russian political figure Vladislav Surkov was appointed as an aide to President Vladimir Putin to oversee Russian policies in Abkhazia and South Ossetia in September 2013. Later, Surkov's responsibilities expanded to Ukraine and other CIS countries. Putin's aide has visited the Georgian breakaway territories several times after his appointment, signaling that Moscow may start a more proactive policy in Abkhazia and South Ossetia.

In 2013, one of the local parties in Tskhinvali, United Ossetia, started



lobbying for South Ossetia's accession to the Russian Federation. South Ossetia's Minister for Emergency Situations, Anatoly Bibilov, is the head of the new party. In the 2011 presidential elections, Moscow openly supported Bibilov, but suffered a crushing defeat. Bibilov and his party now want to score points with the residents of the impoverished republic, advocating integration with Russia and resolving all South Ossetia's economic problems. The party is seemingly financed by some forces in Moscow as it is doing surprisingly well for a party that has no seats in the local parliament and is led by a person who lost elections.

Abkhazia was practically excluded from benefiting from the recent Olympics in Sochi, which gave rise to anti-Russian sentiments in Abkhazian society. The republic suffers from economic stagnation as the handouts from Moscow and tourism provide only for modest subsistence needs of the locals. Crimea's potential accession to Russia will diminish the size of the subsidies allotted for Abkhazia and South Ossetia from the Russian budget, as Crimea will require significant Russian investment. According to different estimates, Crimea may require several billions of dollars

every year. In addition, the looming and worsening economic crisis in Russia will further diminish Moscow's ability to support its overseas client states.

IMPLICATIONS: Moscow's determination to annex Crimea has alarmed the West and produced a series of economic and political sanctions against Russia. The West is also likely to rethink its defense policy in Eastern Europe in connection to the changes in the region. Granting a Member Action Plan to Georgia later in 2014 is a real possibility now, according to the Russian newspaper Kommersant that referred to sources in the U.S. Department of State. If Russia and the West continue on the path to a full-fledged standoff, Russia is likely to move on to officially absorb Abkhazia and South Ossetia.

Both Georgian breakaway territories are heavily dependent on Russia, but until now Russian officials have denied that Moscow has any plans to annex Abkhazia and South Ossetia even in a remote future. After the crisis in Crimea, Russia may consider such political maneuvering as excessive and unnecessary, openly including both territories into Russian Federation. South Ossetians have their ethnic kin across the mountains in North Ossetia, so the argument will be based on the unification of Ossetians as an ethnic group. Abkhazia has so far stuck to a much more pro-independence outlook than South Ossetia, but it may also be swayed to join Russia. An unofficial survey by Ekho Kavkaza radio station already showed that the majority of

residents of the capital city of Sukhumi were in favor of joining Russia.

There are also notable differences between Abkhazia and South Ossetia on the one hand, and Crimea on the other. Ethnic Abkhaz and ethnic Ossetians fought ethnic Georgians when they were still part of the same country. Moscow was fueling both conflicts, Georgian-Abkhaz and Georgian-Ossetian, but regardless of the trigger of these conflicts, it still made the distrust between the conflicting parties a fact of life. In Crimea, however, there was hardly any conflict between ethnic Russians and ethnic Ukrainians, at least not until Russian forces took over the peninsula in March 2014.

Both Abkhazia and South Ossetia remained in limbo for nearly two decades after the initial conflict with central government in Tbilisi. Russia did not recognize these republics until going to war with Georgia in 2008. Since the West is actively involved in resolving the Crimean crisis, Russia will probably not have the luxury of waiting for two decades to decide the fate of the peninsula and wait until the area is completely in decay. Instead, Moscow is likely to proceed quickly with its economic rehabilitation.

Apart from the Western presence, Moscow's decision is also affected by ethnic considerations. While in Abkhazia and South Ossetia, Russia dealt with ethnic non-Russians, in Crimea ethnic Russians are involved, so the domestic pressures of Russian nationalism on the government in Moscow will have a much higher

impact on the Russian government's decisions in Crimea, than in Abkhazia and South Ossetia. While Moscow will try to showcase Crimea as economically more successful place than the rest of Ukraine, Abkhazia and South Ossetia are likely to be relegated to the roles of militarized enclaves that are pointed against NATO in Georgia with little concern for their economic wellbeing.

CONCLUSIONS: Russia's annexation of Crimea could have a domino effect elsewhere in the former Soviet countries. In particular, this applies to the Georgian breakaway territories of Abkhazia and South Ossetia. Their limited and illusory political independence could be scrapped and they may officially become part of Russia, therefore further deepening the crisis in the South Caucasus and in relations between Russia and the West. The creation of another semi-recognized territory and a change of official borders signifies a crisis in the post-Soviet world that threatens to develop further, undermining the existing status-quo in variety of ways.

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RUSSIA'S INTERVENTION IN UKRAINE REVERBERATES IN CENTRAL ASIA

Slavomír Horák

While Russia's intervention in Ukraine at first glance has few implications for developments in the Eastern part of former Soviet territory, Central Asian governments and elites are likely to analyze Russia's recent actions carefully. While the Crimea intervention could serve as a short term deterrent against foreign orientations away from Russia's regional integration project, the increasing Chinese influence in Central Asia will in the long term offer these states a powerful alternative to Russia and the crisis in Ukraine is increasing China's attractiveness as a partner.

BACKGROUND: Russia's influence in Central Asia has been slowly but constantly diminishing over the last decade. The new Russian empire struggles on its Western edge against influence from the EU and U.S. who are economically strong but militarily unwilling to make any action to stop Moscow's plans. But Russia is facing an even more active potential challenger on its Eastern borders. Although China is still economically weaker than the Euro-American world, it is taking effective measures to increase its economic influence in territories of high interest to Russia and in Russia itself.

In Central Asia, China has over the last decade been able to substitute Russia as Turkmenistan's major trading partner and is seriously challenging Russia's trade dominance with all the other four countries. Chinese investments in Central Asia have already outpaced Russian ones and the economic reorientation of Central Asian economies to China should

consequently be expected to deepen in the future.

Although Kazakhstan, as the only Central Asian member, initially welcomed Russia's economic union project, the organization has started to lose support in Kazakhstan's political and economical circles due to a stronger influx of Russian business on the Kazakhstani market. And while Kyrgyzstan and Tajikistan are mentioned as potential candidates to join the union, Tajikistan obtained WTO membership a year ago and Kyrgyzstan harshly debates the pros and cons of joint membership in the WTO and the Customs Union. At the same time, the Silk Road Economic Belt initiated by China seems to present an attractive alternative for Central Asian countries as it contains neither Western ideological (democracy or human rights) prerequisites, nor a Russian geopolitical embrace.

Russia still maintains a military predominance in Central Asia, although alternatives exist also in this



sector. Russian equipment supplies are still key to maintaining the existing armies in Central Asia, although the U.S., the EU, Israel, India, Turkey, and South Korea have provided Central Asian states with second-hand, but also some highly modern military equipment particularly to Kazakhstan. The Russian army is based in three countries of the region (Kazakhstan, Kyrgyzstan and Tajikistan not counting the special case of Baikonur), but Russia's political will to use force in case of a serious crisis or an asymmetric insurgency is questionable.

Finally, migration remains a key component of Russian influence in the region. Uzbekistan's, Tajikistan's and Kyrgyzstan's populations compose the largest migrant labor force in the post-Soviet area and their remittances have become a key element of the survival of these regimes. Any downturn of Russia's economy constitutes a potential destabilization factor in Central Asia.

IMPLICATIONS: Cautious immediate diplomatic reactions notwithstanding, Russia should expect less political support for its intervention in Ukraine from its Central Asian allies than was the case during the 2008 war in the

Caucasus. Even if six years ago some local elites approved of Russian advances in Georgia, the willingness to do so is far lower today. Russia's integration efforts will now encounter much more suspicious responses and Kyrgyzstan and Tajikistan could distance themselves from the Eurasian project. In the long term, Kazakhstan could even find it unprofitable to form a union with a state ostracized in many parts of the world and threatening Kazakhstan's territorial integrity. Kazakhstan's President Nursultan Nazarbayev's attitude at the recent Customs Union summit demonstrated a more cautious stance in relations to its northern neighbor. Moreover, any attempt to tie Uzbekistan and Turkmenistan closer to Russia – already a hard sell – will now be met with much more skepticism within their respective elites.

Russia's aggressive attitude can be compared to the more quiet and effective Chinese or Turkish strategies in the region. The gradual retirement of the last Soviet generations and change of elites in Central Asian countries implies that new state officials will analyze Russia's actions based on its current aggressive policies rather than tradition and old affiliations. In addition, the politics of military “collecting of lands” will confirm the perspectives conveyed to the new elite in local educational institutions, where Russians are already portrayed as colonialists and aggressors.

Economically, recent figures indicating Russia's stagnation results in fewer

incentives in the form of credits or investments comparing to China. The results of Chinese politics in Central Asia has already prevailed over Russian attempts to keep the local economies in its orbit. Russian investments are behind Chinese ones on local markets despite their increase in recent years. The experience with Chinese companies in Central Asia are often more concrete than Russian promises of investments. Chinese businessmen have become able not only to put their money into the local economies, but also to defend them in the complicated investment climate, with strong state support. Moreover, fears of China as a potential threat to territorial integrity in Central Asia after redrawing some segments of its borders with Tajikistan and Kyrgyzstan have calmed down. However, after the Crimea annexation, Russia lost its position as the (at least potential) guardian of the borders set up in 1895.

In light of the Black Sea Naval base in Sevastopol, Central Asian leaders can more realistically weigh the advantages and disadvantages of Russian troop deployment in their countries. In the last years, Russia lost several military bases and its military installations in Central Asia could easily face the same fate as those earlier deployed in the Caucasus.

The possible further stagnation of Russia's economy due to economic sanctions or isolation could easily turn into a disaster for Central Asian labor migrants. Russia will probably remain an irreplaceable destination for the

Kyrgyz, Tajik, and Uzbek labor force escaping from the poverty in their home countries. However, even today more skillful migrants are trying to bypass Russia in their migration strategies, resulting in the influx of a less qualified labor force to Russia with less knowledge of Russian language and no previous ties to the country. Anti-migrant rhetoric (particularly focused against Central Asians) in the Russian state-controlled media makes their position inside the host country even more difficult. As a result, growing hostility between the migrants and Russians could deplete firstly Russia's attractiveness in the eyes of future generations of migrants, and secondly Russia-Central Asian relations in general, especially in light of the change of elite mentioned above.

CONCLUSIONS: Russia's advances in Ukraine could seem profitable for the Kremlin in the short term, especially by tightening its relations with Eastern Ukraine and consolidating its domestic position in Russia. However, Central Asian states will slowly but steadily try to find ways to escape Russia's embrace. In particular, their fear of China is diminishing in light of the growing Russian aggressiveness and economic stagnation. Especially Turkmenistan and Kazakhstan are less vulnerable to Russia in terms of labor migration and hence possess more tools for seeking alternative allies to Russia. Finally, while acquiring a relatively small area in Crimea, Russia could pay a high price by losing Central Asia as the last territory willing to be under its influence.

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THE COST OF BLACK TUESDAY FOR KAZAKHSTAN

Birgit Brauer

The devaluation of the Kazakh tenge on Feb. 11, dubbed Black Tuesday, has further eroded the little trust people have had in the National Bank of Kazakhstan and the country's financial system. The news came as an unpleasant surprise for many Kazakhstanis who had believed the repeated assurances of the National Bank that there would be no devaluation. Even western financial analysts, who had anticipated the move, were taken aback by the scale of the devaluation.

BACKGROUND: On February 11, the National Bank of Kazakhstan devalued the country's currency, the tenge, by 19 percent against the U.S. dollar. This was Kazakhstan's third devaluation since independence. The official rate of the tenge fell to around 185 tenge to the dollar from the previous rate of 155.5 tenge the day before. The bank announced that the nation's currency would be kept within a range of 182 to 188 tenge to the dollar.

National Bank Chairman Kairat Kelimbetov cited the pressure of global uncertainty and weakening of emerging market currencies, including the recent depreciation of the Russian ruble, as reasons for the devaluation. An even more important issue, he said, was the very pessimistic outlook for economic growth in Kazakhstan's trade partners, namely the European Union, Russia, and China. What he failed to mention was Kazakhstan's continued dependence on oil and high commodity prices, as well as problems related to non-performing loans in the banking sector, a legacy of the global financial crisis.

Given Kazakhstan's close trade, investment and financial ties to Russia and China, the country is particularly vulnerable to shocks in these economies. For example, Russia, from which Kazakhstan currently buys 38 percent of its imports, has been trying to grapple with a severe economic slowdown and a plunging ruble. Over the past year, the ruble has depreciated against the tenge by some 10 percent. Meanwhile, according to Kelimbetov, Kazakhstan spent US\$ 2.7 billion from the national reserve between June and August 2013 and US\$ 2.2 billion in January alone to prop up the tenge.

President Nursultan Nazarbayev, who spoke out on the devaluation only three days after the event, said it was a purely financial measure to support Kazakhstan's major companies with 10-40,000 employees each. It would give the economy additional profit and thereby spur growth.

The decision of the National Bank came precisely five years after the last devaluation. In February 2009, the tenge was depreciated by 18 percent



due to the fallout of the global financial crisis. But unlike then, when the population resigned itself to the decision of the National Bank, many Kazakhstanis now were angered and felt deceived.

The National Bank had consistently rejected any devaluation rumors since last summer. Moreover, over the last few years, the National Bank had encouraged people to put their hard-earned money in local banks and maintain a substantial portion of it in local currency, instead of keeping it at home under their mattresses. The tenge depreciation signified their deposits had lost one-fifth of their value and their hard-currency loans had increased accordingly, making repayments far more costly.

Hence, the devaluation sparked a series of protests in Almaty, the financial capital. Although the number of protesters was relatively small, varying between 50 and 200 people, it was sizeable by Kazakhstan's standards.

IMPLICATIONS: The National Bank of Kazakhstan is in charge of the country's monetary policy and was designed as an independent state body. In practice, the standing of the bank has greatly depended on the personality of its chairmen. In the 1990s, the National Bank was widely considered an independent entity with its own decision-making and ability to

carefully weigh its opinions. Over time, this has changed, and with that also the level of trust that people have in this institution.

It was only five years ago that the outgoing Chairman Anvar Saidenov told the public there was no risk of devaluation, only for it to occur several weeks later under the incoming Chairman Grigori Marchenko.

Kelimbetov, chairman since October, confounded people when he admitted in his first comments following the devaluation that he had learned about the policy change only the night before. This led to questions by protesters, analysts, and even members of parliament about his competence and integrity. If he is a puppet, then who made the decision? President Nazarbayev was notably absent from the country at the time of devaluation.

But when he returned, he swung into action. Nazarbayev ordered the government on February 14 to use US\$ 5.4 billion (1 trillion tenge) from the National Oil Fund to boost the economy in 2014 and 2015. How this will be done is not yet clear. He also told the National Bank to cut the share of non-performing loans in the banking sector in half by next year. These loans currently account for 31.4 percent of the banks' portfolios and are worth US\$ 22.7 billion. They are to be reduced to 15 percent by 2015 and to 10 percent by 2016, which will be difficult to accomplish.

In addition, he ordered a 10 percent increase in salaries for state

employees in education, science, health, culture, sports, and social protection starting April 1. Social assistance, study allowances, and pensions will go up as well.

Nazarbayev also called on the large companies in the country to raise the salaries of their personnel, especially industrial workers, by 10 percent. The sovereign wealth fund Samruk-Kazyna, whose holdings include the national oil company Kazmunaigaz and state railway company Kazakhstan Temir Zholy, was instructed to boost salaries for workers by 10 percent starting April 1.

Companies, such as ArcelorMittal Temirtau, the country's largest steelworks, and Eurasian Natural Resources Corp (ENRC) quickly said they would comply with Nazarbayev's request.

Yet, the jittery mood of the public was on full display several days later when rumors spread on WhatsApp on February 18 that three large Kazakh banks – Bank CenterCredit, Kaspi Bank, and Alliance – were allegedly on the verge of bankruptcy, triggering a run on the banks. Kelimbetov urged the people of Kazakhstan not to believe these rumors. Still, Kaspi Bank reported on February 20 that 10 percent of its deposits in all currencies had been drained. A former employee of Bank CenterCredit has since been detained for distributing misleading information.

CONCLUSIONS: The Kazakh tenge tends to shadow the movements of the Russian ruble. Kazakhstan's economy

is similar to Russia's, albeit even less diversified. The February 2009 devaluation of the tenge followed a sharp drop in the value of the ruble. This scenario repeated itself on February 11, 2014.

The beneficiaries of the devaluation are Kazakh companies in the extractive industries, such as the copper exporter Kazakhmys, whose earnings are paid in dollars and costs are mostly denominated in tenge. Following the news of the devaluation, Kazakhmys' shares rose by 17.7 percent on the London Stock Exchange. In Kazakhstan, exchange offices, shops, and grocery stores shut down. When they reopened, some food prices had gone up, others had not.

While the devaluation may have made economic sense for Kazakhstan's oil and mining exporters, the remaining trust in the National Bank and the state authorities has thoroughly been shaken. The devaluation could have taken place gradually, as it has in Russia.

Finally, given the current structure of the economy, the National Bank and the government have few other tools at their disposal than devaluing the national currency to avoid stagnation. Any official assurances to the contrary should be taken with a grain of salt.

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BISHKEK'S FIRST OFFICIAL STATEMENT ON UKRAINE

Arslan Sabyrbekov

On March 11, Bishkek made its first official statement on the ongoing crisis in Ukraine. The Kyrgyz Ministry for Foreign Affairs says that the ousted Ukrainian President Viktor Yanukovich can no longer be considered the country's legitimate leader, as he continues to claim.

Bishkek reacted to Yanukovich's statement on March 11 that he is still Ukraine's only legitimate President. The Kyrgyz Foreign Ministry stated that the current crisis in Ukraine was caused by widespread corruption and wrong decisions taken by the former authorities of that country. "The only source of power in any country is its people, a president who lost his people's trust, who de facto lost his presidential authority and moreover, who fled his own country, cannot consider himself to be the legitimate leader," the statement says. Furthermore, Bishkek described the people who died during the violent clashes in Kiev as "innocent people."

The statement did not directly mention the critical situation in Crimean peninsula. But Kyrgyzstan expressed its concern over the development of the general situation in Ukraine and condemned all activities aimed at destabilizing the situation in the country, without specifying who it considers to be responsible for destabilization. The Kyrgyz Foreign Ministry also called on the country's current political

leadership and all other actors to use peaceful methods in resolving the crisis and adhere to national and international law, citing specifically the Charter of the United Nations. Thus, the statement implicitly recognizes the new Ukrainian political elite and power holders.

Bishkek's reaction immediately turned into a source of discussion among local political analysts. In the words of the Bishkek based political analyst Marat Kazakpaev, "even though the statement of the Kyrgyz Foreign Ministry against Yanukovich seems to contain some sort of political attack on Moscow, it is in fact very tuned and precise." According to the expert, the statement from the Kyrgyz MFA will not cause a negative reaction from the Russian leadership, especially taken into account its growing economic presence in the Kyrgyz republic, particularly in the form of gas, hydropower, and mining investment projects.

Based on this opinion, the statement seems to be directed primarily to the domestic audience. On the one hand, it neutralizes a constant claim of the opposition that the current leadership is subordinated to Moscow. On the other hand, it would be illogical for the Kyrgyz authorities, who came to power by means of demonstrations and many casualties to express its support for Yanukovich, who has often been compared to ousted ex-president

Kurmanbek Bakiyev. Like Bakiyev, the ousted Ukrainian President Yanukovich had established a heavily corrupt authoritarian regime, used force against demonstrators, and also settled in a foreign country with continuous statements of his legitimacy. Even in terms of foreign policy, the ousted presidents resemble one another in terms of lacking a clear vision and playing with all the big actors in their efforts of maximizing dividends, which were often personal.

On the contrary, political analyst Mars Sariev believes that "the statement of the Kyrgyz Ministry for Foreign Affairs will negatively impact and cool down the Kyrgyz-Russian relations. As a response to this statement, the Russian Federation can and is in a position to block Kyrgyzstan's entry into the Customs Union under preferable terms and conditions asked by Bishkek." Sariev also recalled that in 2008, Bishkek took another position than that of the Russian Federation over the Ossetia-Abkhazia conflict in Georgia, which at that time did not cause a heavy deterioration but cooled down relations between the two countries.

In turn, the U.S. Embassy in the Kyrgyz Republic issued its own statement commending the Kyrgyz Ministry for Foreign Affairs "for its strong statement recognizing the new Ukrainian government. By condemning all acts that would lead to further destabilization in Crimea and elsewhere, and affirming that the legitimate source of power in any country is the will of its people, the Government of the Kyrgyz Republic

has shown respect for the democratic aspirations of both the people of Ukraine and the Kyrgyz Republic."

While it remains to be seen what this statement will bring, it has turned Kyrgyzstan into the first member of the Russia-led Commonwealth of Independent States with a view that largely contradicts the Kremlin's.

GEORGIAN PARLIAMENT AMENDS ELECTION CODE AHEAD OF SPRING LOCAL ELECTIONS

Eka Janashia

On March 7, the Georgian parliament adopted amendments to the election code defining the rules for local elections, scheduled for June 15. Mayors of twelve cities, heads (gamgebeli) of all municipalities and members of municipal councils (sakrebulo) will be elected. The package of bills aims to harmonize the electoral system with a new local self-governance law foreseeing direct election of mayors and gamgebelis across the country.

Innovatively, it introduces a minimal threshold for electing mayors and gamgebelis at 50 percent. Only Tbilisi's mayor has previously been directly elected and the threshold in the capital was set at 30 percent, implying that a candidate gathering a plurality of votes, but not less than 30 percent, would have been declared an outright winner. The minimal threshold for electing mayors and gamgebelis was the most contested issue ahead of the bill's approval.

Initially, the Georgian Dream (GD) ruling coalition advocated a threshold at 40 and 33 percent for Tbilisi's and the other eleven cities' mayoral candidates respectively, and 33 percent for gamgebelis. Although the non-parliamentary opposition parties and most non-governmental organizations resisted the proposal demanding to set a higher threshold, the GD claimed that this would increase the likelihood of a second

round, causing additional costs for taxpayers. The GD proposal had already been included in the draft amendments, when Prime Minister Irakli Garibashvili announced the coalition's consent to a 50 percent threshold for electing both mayors and gamgebelis on February 17.

In parallel with increasing the threshold for the heads of cities and municipalities, the amendment has lowered the threshold for the city/municipal council's party list candidates, meaning that the party garnering at least 4 percent (instead of 5 percent) will be able to secure council (sakrebulo) mandates.

Additionally, sakrebulo seats allocated for the party list contest have been raised from 10 to 15 while the number of majoritarian seats vary according to the amount of constituencies in municipalities. It is believed that the shift will ease the penetration of small parties into sakrebulo, which should ideally strengthen democratic processes at local level.

Despite the fact that after the 2010 local elections, the OSCE/ODIHR international election observation mission recommended Georgia to permit independent candidates to compete in local elections, the new amendments do not allow them to run for the mayor or gamgebeli posts. Only candidates nominated by either political parties or election blocs will

be able to compete for these positions. Independent candidates nominated by so called "community initiative groups" could run only for majoritarian seats in sakrebulo. In addition, according to the amendments, a person contesting for mayor or gamebeli posts cannot simultaneously compete for a sakrebulo mandate.

The parliamentary as well as non-parliamentary opposition parties lamented that given the scarcity of cadres locally, the rules will prevent them from nominating candidates in many constituencies.

Another set of changes refers to increased funding for parties. Election blocs or parties garnering at least 3 percent of the votes in local elections will get GEL 500,000 (US\$ 289,000) from the state budget to cover campaign expenses. The bill also envisages higher funding for party representatives in election administrations.

To avoid duplications, the newly adopted amendments involves digitalization of voters' photos, meaning that the election commission officials at each precinct will be able to verify the identity of a voter through digital photos attached to the voter list in their data base. In case of mismatch, various procedures including the submission of information to the police will be enforced.

The United National Movement (UNM) prepared an alternative draft intended to oppose the regulations set by the new amendments, enabling

independent candidates to run for mayor as well as gamebeli posts. According to the bill, a person running for mayor could concurrently compete for a sakrebulo seat as well. Nevertheless, the UNM initiative was watered down by the GD parliamentary majority on March 7.

So far, only two major political forces, the ruling GD coalition and UNM, have nominated their mayoral candidates.

Before the presidential election in October, then Prime Minister Bidzina Ivanishvili said that he already had "in mind" who might run for Tbilisi mayor. At the coalition leaders' meeting in November, GD nominated the minister for infrastructure and regional development, Davit Narmania for the post. Narmania, 34, insisted that he will be a technocrat rather than a political figure. He acknowledged that the 50 percent threshold is a serious challenge for the coalition but hoped to achieve outright victory in the first round.

Initially, UNM planned to appoint its mayoral candidate through primaries and named the former deputy Justice Minister, MP Giorgi Vashadze, and Tbilisi municipal official Nikoloz Melia as primary contenders. However, Vashadze shortly thereafter withdrew from the race. The move may suggest that UNM preferred to nominate a person who is less associated with the party but has a good reputation among Tbilisi citizens. Further, Melia is originally from Tbilisi, which increases his chances against Narmania who is not from the capital city and whose rating much depends on that of GD.

TURKMENISTAN INTRODUCES NEW MEASURES TO CONSERVE NATURAL GAS

Tavus Rejepova

During a Cabinet meeting on January 17, President Berdimuhamedov tasked the Deputy Chairman for Oil & Gas, Baymurad Hojamuhamedov, and Deputy Chairwoman for Culture, Byagul Nurmyradova, to prepare a series of TV programs and newspaper articles on the efficient use of natural gas, provided free of charge for the population since 1993. In addition, the President signed a decree on January 31 raising the cost of natural gas from 2 (US\$ 0.70) to 20 manat (US\$ 7), including the VAT, for the thousand cubic meters of gas used over the free allowed limit of 600 cubic meters per person and year.

According to the presidential decree, the new price for gas over the free limit came into effect on February 1, 2014. The government will calculate the consumption of formerly unlimited natural gas through the gas meters currently being installed in households across the country. President Berdimuhamedov said that the installation of gas meters will allow people to economically use natural gas and that the payment for using the gas will not create difficulties for the families. The president further stressed that the government will always continue the current policy of social support to the population of Turkmenistan.

Meanwhile, the State Concern Turkmengas purchased over 124,000 units of gas meters and has so far

installed 61,000 in households, and has also announced an international tender for the purchase of more gas meters. The government has not given any timeframe for completing the installation of gas meters and the State Concern Turkmengas is calling on all households and organizations to support this initiative and install gas meters. The households who already purchased these gas meters several months ago from Turkmengas say the meters cost up to 800 manat (US\$ 280) a piece.

As per the late president Niyazov's decrees from September 1992 and August 2003, the consumption of natural gas, electricity, cooking salt, drinking water and a limited amount of gasoline is free for the population of Turkmenistan until 2030. The current administration's recent measures to introduce new fees for over-the-free-limit gas and install gas meters for efficient and rational use of natural gas are aimed at reducing the possible waste of gas and determine the real amount of gas consumed for domestic purposes. According to the president, "nobody monitors the consumption of natural gas in the country. The amount of free gas consumed domestically is increasing year by year and the government loses its earnings." According to state newspaper reports, Turkmenistan consumes one and a half times more gas than the free limit of 600 cubic meters per person per year.

In this connection, President Berdimuhamedov also dismissed Kakageldi Abdyllyayev, the former chairman of the State Concern Turkmenigas who was transferred to another position, and said that the agency failed to take effective measures to boost the export potential to replenish the state earnings in foreign currencies and no measures were taken to improve the status quo. "For example, one can make lots of earnings by increasing the volume of production and sale of liquefied natural gas, which is in high demand in global markets" said the president. He said Turkmenistan's other state agencies, on the contrary, managed to accumulate earnings in foreign currencies as opposed to Turkmenigas.

This series of new measures intend to ensure the efficient use of natural gas by the population and regulate the payments for gas. In August 2013, Turkmen parliament passed the first ever bill "On hydrocarbon gas and gas supply," which aims to create the conditions for a functioning gas market and regulate the procedure of gas supply systems in the country. In addition, the President asked Akja Nurberdieva, the speaker of Turkmenistan's Parliament, to look into drafting additional laws or regulations that control the efficient and economical consumption of natural gas.

It is expected that rural areas, where gas is used for heating greenhouses, barns for livestock, cottages and garages, might feel the rise in cost of gas more significantly than the urban

residents. This might also have an impact on the cost of products like tomatoes, cucumbers, lemons, potatoes and other food products produced in greenhouses across the country.

The government's measures to regulate the efficient use of free natural gas for the population also follow the latest increase in the level of gasification of homes, increased use of natural gas for industrial enterprises and electricity generation across the country. In addition, the government made it clear that the domestic subsidies are costly for Turkmenistan's economy. Turkmenistan currently sells its gas to China, Russia, and Iran, and is in the process of forming a consortium for the construction of the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline.

FEMINIST ACTIVISTS ATTACKED IN OSH, KYRGYZSTAN

Ebi Spahiu

On March 5, an awareness-raising campaign in honor of International Women's Day, conducted by a group of human rights activists from Bishkek Feminists SQ, a feminist organization based in Bishkek, turned into a violent attack at Osh Bazaar, one of the largest bazaars in Kyrgyzstan's capital. As the activists were trying to engage with local vendors and bystanders on the history of women's rights and provide information on domestic violence prevention resources, the crowd became increasingly hostile towards the group. As many mistook the female symbol for the Christian cross, they accused the activists of promoting Christianity and physically attacked them, leaving two of the activists injured.

For the second consecutive year, Bishkek Feminist SQ, a local feminist organization run by a group of young human rights activists, has challenged the grandeur of the March 8 celebrations - a Soviet legacy marking this day - by advocating feminist values and raising awareness on alarming statistics of gender-based violence in Kyrgyzstan. Their mission is to end all forms of oppression and violence against women and this year, in honor of International Women's Day, they decided to hold an awareness-raising campaign at Osh Bazaar, one of largest and most crowded bazaars located on the west side of Bishkek. They had prepared

quizzes on the history of women's rights and informational brochures on violence prevention resources available for women in Bishkek.

The incident took place in the late afternoon of March 5. According to activists' accounts to local news agency Kloop.kg, a group of 20-30 people, predominantly men, gathered around the event location and started asking insulting and intimidating questions to the young activists while they were trying to conduct their activities. According to Bishkek Feminist SQ's official press statement, most men confused the female gender symbol with that of a Christian cross and began asking verbally aggressive questions to the young activists: "Why do you have crosses at your booth?" "Are you not Muslims?" "You see that kalpak? It makes me Kyrgyz. If you're Kyrgyz, you must be Muslim!" They also stated that March 8 should not be celebrated because it "is not a Muslim holiday," says SQ. As verbal confrontation between the two groups escalated, the men grabbed the activists by their collars, spit on them and blew cigarette smoke on their faces.

Despite the activists attempts to appease the situation, some men were forcing the activists to repeat verses from the Quran while publicly shaming them. When the activists were preparing to leave, men in the crowd smashed their stand, followed them as

they were trying to move away and kicked them on the ground. The event stand was set on fire while the activists were being beaten, claims Bishkek Feminist SQ. After minutes of physical abuse, two of the activists managed to escape and approach police officers, but their request for protection went to deaf ears. They eventually sought refuge at a local district court building after being chased by an angry crowd following them. Despite their pleas for help from the court's staff, they were met with hostility by some of the staff who demanded they leave the building. Even though police eventually arrived at the scene and assisted the activists to get out safely, they "failed to provide adequate order among the crowd and did not take immediate actions to arrest the instigators and perpetrators," writes Bishkek Feminist SQ.

This is not the first time that nationalist and religious rhetoric has been used to instigate violence against human rights activists in Kyrgyzstan. In recent months, especially following the release of a Human Rights Watch report on police abuse of gay and bisexual men in Kyrgyzstan, religious and nationalist groups have repeatedly called for violence against the LGBT community in the country. On January 30, Kyrgyzstan's then acting grand Mufti issued a Fatwa against same-sex relations, calling on Kyrgyz authorities "to pay special attention to the activities of some public organizations that disseminate social discord while using humanistic ideas." This move sparked a vocal debate in social media

forums where many called for violence against openly gay community members. In addition, a new nationalist movement, Kalys, has staged a series of protests following the report's release, calling for the adoption for an anti-gay propaganda law. According to Eurasianet.org, Kalys' leader Jenishbek Moldokmatov "criticized HRW indirectly" and condemned the LGBT community for "screaming" about police abuse. Moldokmatov also burned a photo of Ilya Lukash, an ethnic Ukrainian blogger living in Bishkek, whom he labeled as a "gay activist" and accused him of attempting to foment a "Ukraine-style revolution in the country."

As many analysts observe the rise of nationalism and discuss the likelihood of increasing Islamic influence in Kyrgyzstan, local human rights defenders are facing a strong nationalist and religious backlash as a result of Kyrgyzstan's aspirations to reclaim its national identity after decades of Soviet rule and respond to a Western push for democratic reforms, where at the center-stage are causes involving women, sexuality and ethnic identity. "These religious entities are influential, but there aren't just Muslims living here in Kyrgyzstan. These statements can create negative public opinion, they bring violence and cause conflict," says Dastan, a human rights activist from Bishkek.