

Central Asia-Caucasus Analyst

BI-WEEKLY BRIEFING
VOL. 17 NO. 10
27 MAY 2015

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THE CENTRAL ASIA-CAUCASUS ANALYST

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

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

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

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

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THE SOUTHERN ENERGY CORRIDOR: A STRATEGIC PRIORITY FOR THE U.S.?

Mamuka Tsereteli

The South Caucasus enjoyed significant political support from U.S. policy makers since the mid-1990s, when the region was seen as an integral part of the proactive U.S. security and energy policy towards Europe. Those policies were successful, resulting in several pipeline projects connecting Caspian resources to European and world markets. But a direct natural gas connection between Caspian fields and Europe remains to be developed. It is in the common interest of the U.S., EU, producer and transit countries to overcome multiple challenges and make this connection work. While the debate currently includes efforts to build a false connection between Caspian producers and exemptions from the Iran sanctions, Washington needs a serious and strategic discussion on America's role in Caspian energy.

BACKGROUND: Over the last two decades, a combination of multiple factors has contributed to the large-scale development of energy infrastructure in the Caspian region. Geopolitical realities favored the westward orientation of oil and gas pipelines from the landlocked region, while U.S. sanctions against Iran excluded Iran from the list of potential export routes for Caspian energy resources. The multiple obstacles created by the Russian state-owned energy monopolies, Transneft and Gazprom, prevented the easy transportation of energy resources to Western consumers, and made the Russian option unattractive. In addition, there was a clear desire of the U.S. and Europe to help the newly independent states of the former Soviet Union to build their own sovereign economies. As a result, under President Clinton, the U.S. initiated what has been called a Multiple Pipeline Strategy

that envisioned the development of multiple new commercial pipelines crossing several countries, including Russia, but preventing any country from obtaining a stranglehold on the Caspian.

The close collaboration of the U.S., Turkey, Azerbaijan, Georgia, and Kazakhstan in the process of implementation of that strategy played a crucial role in building a strong economic structure between the Caspian resources and Black Sea and Mediterranean seaports. The construction of major oil and natural gas pipelines between Azerbaijan, Georgia, and Turkey solidified the region's dramatic break from Russian energy dominance and political leverage. In this, the breakthrough was the construction of the Baku-Tbilisi-Ceyhan oil pipeline, completed in 2005.

The backbone project for the Caspian natural gas connection to Europe is the

second phase of development of the fields under the Shah-Deniz Consortium, led by BP. The current production of the field is about 8 bcm of natural gas annually, which is exported by the Baku-Tbilisi-Erzurum pipeline (BTE), also called the South Caucasus Pipeline (SCP), to Georgia (2 bcm) and Turkey (close to 6 bcm). This pipeline and natural gas from the Shah-Deniz field has provided Georgia with a much needed alternative to Russian natural gas supplies and has helped Turkey diversify its supplies.



(Source: [Wikimedia Commons](#), S. Sutherland)

The second phase development at the Shah-Deniz field will produce an additional 16 bcm to supply Turkey, as well as several potential consumers in the European Union, thus facilitating Europe's energy security and diversification of energy supply. As of today, the Shah Deniz field is considered the critical source for reliable additional supply of pipeline gas for Southeastern Europe that can reduce dependency on Russia. The second phase development envisages the construction of the Trans-Anatolian Pipeline (TANAP), which will take natural gas from the South Caucasus Pipeline at Erzurum and deliver it to Turkish-Greek borders, for further shipments through the Trans-

Adriatic pipeline to Italy via Greece and Albania.

This complex project involves seven countries, multiple companies and consortiums and faces multiple technical, as well as financial and political challenges. After the Nabucco project failed, largely due to a lack of political will and commercial justification of the project, TANAP remains the only pipeline project that can connect Caspian gas resources to Europe, clearing the way for a future Trans-Caspian gas pipeline development for engagement of Turkmenistan with its vast resources.

IMPLICATIONS: One political challenge for the Shah-Deniz project is that the Shah-Deniz Consortium involves the Iranian State Oil Company as a shareholder, which holds a 10 percent stake in the project. In 2011-2012, the U.S. Congress debated the Iran Threat Reduction and Syria Human Rights Act, which targeted Iranian energy assets inside and outside of the country, something that could have damaged the prospects of the Shah-Deniz project's development (see [August 31, 2011 issue of the CACI Analyst](#)). The U.S. Administration and the State Department took the lead in carving out an exemption for the Shah-Deniz project from Iran sanctions in spite of the Iranian minority share in the project. After deliberate consideration, the strategic interests of the development of the alternative sources of gas for Europe prevailed. The language of the bill passed by the House in 2011 and by the Senate in 2012 included exemption of sanctions for the

Shah-Deniz Consortium. This bill was signed by President Obama and became law on August 10, 2012. Later, in January 2013, the president reaffirmed the sanctions exemption by signing the National Defense Authorization Act for Fiscal Year 2013. This exemption became the issue of unjustified political discussion in the U.S. in recent weeks.

Several news reports (appearing in the [Washington Post](#), [Christian Science Monitor](#), and [The Hill](#)) have ignored the international scope of the project, the rationale for an exemption to sanctions and the timing of those exemptions. Instead, questions have been raised whether a minority stakeholder in the project used its support of a 2013 conference to support their business interest in Shah-Deniz. By that time, of course, both Congress and the White House had long agreed that the Shah-Deniz project should continue unencumbered by sanctions. The suggestion of impropriety by members of Congress – that foreign corporate interests had the clout to impact legislation about U.S. national security – is not only at odds with reality in the case, but delegitimizes the sanctions regime and ignores the well-understood point that the Obama administration, not Congress, was the driving force behind the policy decision on exempting Shah-Deniz. Indeed, back in 2011, Ambassador Richard Morningstar, then the State Department's special envoy for Eurasian Energy and subsequently Ambassador to Azerbaijan, told NPR that "if in fact Shah Deniz were to be sanctioned, it would defeat many years of U.S. policy for gas to go from the

Caucasus and Central Asia to Europe." Thus, this reporting diverts focus from the strategic interests to artificially invented political linkages.

The other major challenge for the development of the project is coming from competing projects originating in Russia and targeting the same markets in South and South Eastern Europe. Initially, the so-called South Stream Pipeline proposed to take natural gas from Russian territory across the Black Sea to Bulgaria and beyond to the Balkans and Central Europe. The sanctions imposed by the U.S. and EU on Russia amid Russia's aggression in Ukraine forced Russia to cancel the project, but President Putin came up with a new initiative during his state visit to Turkey in December, 2014 (see [May 14, 2015 issue of the CACI Analyst](#)). This initiative is currently called "Turkish Stream" and proposes a new natural gas pipeline from Russia to Turkey across the Black Sea and beyond to markets that Shah-Deniz is supposed to serve.

Another challenge is the perception in the region that Europe, and perhaps the U.S. as well, no longer has the capacity and appetite to offer significant incentives to regional producers and partners due to the financial restrictions and lack of political will. In this view, Europe is increasingly viewed as exceedingly slow in decision making. After all, it is a fact that even highly prioritized EU projects like Nabucco, aimed at connecting Caspian natural gas resources to Europe, remain unimplemented, while China managed to build both oil and natural gas

pipelines, thus allowing Central Asian states to diversify their markets – but also reducing the prospects for alternative developments via the Caspian Sea.

CONCLUSIONS: There is a need for a serious discussion on the strategic importance of the energy dimension of current American policy in Eurasia. The recent development of the Southern Corridor for Natural Gas is taking place in the context of weakening strategic engagement of the United States with the actors in the Black Sea-Caspian region, which have for over a decade been constructed around the energy and transportation infrastructure. The current commitment to soft power on the part of both the EU and the U.S. cannot match Moscow's assertive political-military and energy policies in the region. The Shah Deniz project with its potential to supply European markets can boost relationships between the Caspian region and Europe, but events may take an opposite direction if the Consortium, its shareholders and contractors were targeted by sanctions.

The spurious debate on the development of the sanctions architecture is merely a distraction from the real issue: achieving the twin goals of the Southern Energy Corridor by reducing European dependence on Russian natural gas, and by expanding the freedom of maneuver of the energy-producing and transit states of Central Asia and the Caucasus. Renewed American engagement is important for the realization of these objectives. While the EU will naturally take the

lead on day-to-day affairs, American strategic reassurance will be needed for the project to move forward; this is particularly the case as the future Trans-Caspian energy supplies are concerned.

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ELECTION YEAR IN THE EURASIAN UNION AND THE EU'S EXTERNAL ACTION POLICIES

Gaël Chataignère

EU policies toward the two junior members of the Eurasian Union are an indication of the EU's struggle to balance its normative, geo-economic, and political interests in the former Soviet space. This April, Nursultan Nazarbayev secured a fifth term in office with a full 97.7 percent of the vote, prompting only a mild response from the EU. The European External Action Service simply reiterated the conclusions of the OSCE observation mission, and the importance of the EU's partnership with Kazakhstan. Meanwhile, despite an ongoing diplomatic thaw, Belarus remains subjected to a comprehensive set of EU sanctions. This seeming paradox questions the consistency and priorities of the EU, just a few months before Belarus holds its own presidential election.

BACKGROUND: Before Kazakhstan's first presidential election in 1991, Nazarbayev was quoted as saying, "now, when transitions to unpopular measures are beginning, only a politician backed by all the people can be sure of himself." This rationale appears to apply well to the recently held April 26 snap election. Kazakhstan is commonly framed as a development success story both in domestic and foreign discourse, and it is widely recognized as such. Yet the country's economic stability has been disrupted by the plunge in oil prices and the knock-on effects of the ruble crisis over the past year (See [April 1, 2015 issue of the CACI Analyst](#)). Amid dampened growth prospects and repeated rumors about an impending devaluation of the tenge, Nazarbayev confirmed Kazakhstan's assemblies' unanimous call for early elections on February 25,

and formally received his party's nomination on March 11.

The April 26 election was far from competitive. Amirzhan Kosanov, Secretary General of the opposition National Social Democratic Party, refused to run in a show of protest. In addition to the short notice and the opposition's lack of resources and visibility, competition was further reduced during the registration process to the central electoral commission. Of over 26 would-be competitors to Nazarbayev, only two pro-government candidates managed to fulfill the legal requirements to run, which included the gathering of 90,000 signatures to back their candidacy.

Meanwhile, Belarus is preparing for its own presidential election, to take place by November 15. While Aleksandr Lukashenko – who will run for a fifth

term in office – promised “honest elections” before the parliament earlier this year, the head of the central election commission Lidia Yermoshina blamed the country’s political parties for their “inexplicable and short-sighted” lack of activity on March 25, and enjoined them to side with government-funded organizations. Yet, despite structural weaknesses and internal divisions, several opposition parties and civic campaigns have engaged in tumultuous consultations to nominate one joint candidate under the coalition “People’s Referendum.” The choice not to formally include winning power as a campaign goal further reflects the ubiquitous perception of Lukashenko’s inevitable reelection.



(Source: Wikimedia Commons, S. Sutherland)

It should be noted that Belarus ranks lower than Kazakhstan in various indices, such as Freedom House’s Freedom in the World. (Belarus’s score is 6.5 on a scale of 1 to 7; Kazakhstan’s is 5.5). Nevertheless, the difference in the two countries’ domestic situation hardly justifies the divergence on EU policy toward them. Belarus remains under sanctions, and the termination of these sanctions is conditioned on the release and rehabilitation of political prisoners and the right to a fair trial, increased freedom for the media and

civil society, and the conduct of free and fair elections. By contrast, relations between Brussels and Astana reached new heights in January with the signature of an Enhanced Partnership and Cooperation Agreement, and the EU stance on governance and human rights in Kazakhstan remains less than vocal.

A number of factors can help explain these differing stances, which Belarusian officials have repeatedly deemed unfair and inconsistent. In addition to the prioritization of geo-economic interests with resource-rich Kazakhstan, vicinity also plays a role. The EU has had a lower tolerance threshold with neighboring states when imposing sanctions on governance and human rights grounds, as the extension of the scope of sanctions towards Belarus soon after the 2004 enlargement illustrates. Similarly, the EU is more overtly critical of Azerbaijan than of Turkmenistan or Uzbekistan, although the latter rank far worse than the Caucasus country in practically all international indices.

Another important factor is the foreign policies of the two countries. Kazakhstan has worked hard to present itself as a contributor to international security, by, for example, making efforts to facilitate negotiations over the Iranian nuclear program, and working toward establishing an international Low-Enriched Uranium Bank in Kazakhstan. While Kazakhstan is generally viewed as a good international citizen, Belarus has been linked to lucrative arms sales to countries such as Saddam-era Iraq,

Syria, Sudan, and Iran. Yet crucially, this is not the official justification of the sanctions regime.

IMPLICATIONS: In the midst of the Ukrainian crisis, chinks have appeared in the EU's tough stance on Belarus. Similarly to President Nazarbayev, President Lukashenko has distanced himself from Russian actions. During his first state visit to Georgia on April 23, Lukashenko expressed support for the territorial integrity of Georgia. (In spite of heavy Russian pressure, Belarus refused to recognize the "independence" of Abkhazia and South Ossetia following Russia's invasion in 2008). Moreover, Latvian president Andris Berzins described Minsk's contribution to the negotiation process over the conflict in Ukraine as "a colossal step forward (...) to be taken into consideration." In this context, the EU's increased political stakes in Belarus have translated into a cautious diplomatic thaw between the two parties. This was illustrated by European Commissioner for Eastern Neighborhood Policy Johannes Hahn's visit to Minsk on April 16-17 – the first in five years.

The current Latvian presidency of the Council of the European Union also plays in favor of this evolution. Along with other eastern EU members, Riga has shown an inclination to re-engage Minsk, and raised Belarus's position on the EU agenda. Labeled as "pragmatic" by State Secretary of Foreign Affairs Andrejs Pildegovičs during a visit in Minsk in January, the Latvian presidency has since then indicated that talks for a "gradual process of revising

the sanctions" have been under way. While there were speculations that Lukashenko might participate in the Eastern Partnership (EaP) Summit in Riga on May 21-22, this did not happen. However, a large Belarusian delegation led by Foreign Minister Vladimir Makei did take part in the summit.

The softening of the EU's external policy towards Belarus given the prevailing security concerns in the east is not unprecedented. In 2008, sanctions were temporarily lifted after the war between Russia and Georgia, despite an important division between "pro-engagement" EU members, and the most critical of Belarus's human rights record (the Netherlands, Sweden, and the United Kingdom). Likewise, whether or not this diplomatic thaw will last, and whether or not harmonization of the EU's stances towards various post-Soviet countries will occur, will partly depend on the capacity of the pro- and anti-engagement EU states to reconcile their diverging views on how to prioritize political and normative interests.

The perception that easing pressure on Belarus would contribute to the further deterioration of Belarusian democracy and human rights is prevalent among the Belarusian political opposition and human rights advocates. Ales Bialiatski, director of the Human Rights Center "Viasna", has repeated that sanctions "should remain valid as long as there are political prisoners in Belarus", and the Belarusian Assembly of Pro-Democratic NGOs reaffirmed its belief in the principle of conditionality in the wake of the Riga

Summit. Within the framework of the EU's "dual-track approach" towards Belarus – consisting of a tough stance towards the state apparatus and engagement with the third-sector – renewed contacts with the Belarusian authorities may also mean losing the hearts and minds of the country's civil society. This would have much in common with the case of Kazakhstan, where NGOs are often critical of the EU's deemed inability to tackle human rights in its external action policies. Yet meanwhile, critics of the current policy argue that the Western sanctions on Belarus have had little or no effect.

CONCLUSIONS: Before an official visit to Minsk in February this year, Latvian Foreign minister Edgars Rinkēvičs declared his belief in a "window of opportunity" for the improvement of EU-Belarus relations. Taking developments in 2010 as a benchmark indicator, this rapprochement may only last until Belarus holds its presidential election. In 2010, Belarusian authorities' violent crackdown on opposition protests during and after the ballot put an end to a two-year thaw, which had also been induced by strained relations with Russia and economic difficulties. This period featured loosened restrictions against Belarusian authorities, which had reduced pressure on Belarusian civil society.

The evolution of the EU's position in the coming months will be less predictable than the results of Belarus's next presidential election. During this time the outcome of the EaP summit in

May and the prospect of sanction renewal or reduction in October will be key to gauging the EU's stance. This period will be important to assess whether the EU will be able to find a balance, one way or the other, between its normative and strategic interests in its eastern neighborhood. The EU's long-term credibility in the region will hinge in part on the result.

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MOSCOW STEPS UP PRESSURE ON CHECHNYA'S POWERFUL RULER

Valeriy Dzutsev

Chechnya's ruler Ramzan Kadyrov has unexpectedly clashed with Moscow. The Russian government appears increasingly uneasy with Kadyrov's unquestionable authority in Chechnya. At the same time, while Kadyrov will not easily yield to pressure from Moscow easily, he is evidently the weaker side in this battle. Only if Russia experiences a breakdown of power and its own strongman Vladimir Putin steps down, the Chechen leader will outlive his enemies in Moscow. Acutely aware of Russia's projected economic downturn and its dampening effect on state capacity, Russian elites may force a regime change in Chechnya to avoid the risk of dealing with a strong regional leader at a time of decline in Moscow's power.

BACKGROUND: Soon after the assassination of the Russian opposition leader Boris Nemtsov in February 2015, the situation became tense around Kadyrov. In March, Russian police arrested five Chechen suspects, while another reportedly killed himself with a hand grenade at the time of his arrest in Chechnya. All suspects appeared to have ties to the Russian military forces stationed on Chechen territory and are de-facto under Kadyrov's personal control. Later, Ruslan Geremeev, a relative of several top officials in Chechnya and a member of the Chechen forces, was identified as a suspect of Nemtsov's murder. However, the attempts of Russian investigators to question Geremeev failed. Geremeev was first kept under armed protection in the village of Jalka, near the city of Gudermes. Reports later surfaced that he had left Russia.

Russian police apparently had difficulties arresting the five suspects

who are also in custody. One was arrested in the Moscow area, while all others were reportedly enticed into Ingushetia from neighboring Chechnya, including the primary suspect Zaur Dadaev. Even though Kadyrov formally did not prevent Russian police from entering Chechnya or openly obstructed justice, Russian police for some reason failed to operate on Chechen territory as expected. The strenuous efforts of Russian law enforcement agencies to prosecute suspects of Nemtsov's murder raised questions about Moscow's control over Chechnya. It appeared that Russia had gained little from its two wars in Chechnya, since Kadyrov easily defied Moscow's control over the region.

On April 19, Russian police from the Stavropol region arrived in Grozny and apparently launched a manhunt, without notifying republican police, of Jambulat Dadaev (no relation to Nemtsov's suspected murderer Zaur

Dadaev). Stavropol police killed Dadaev, as he reportedly attempted to escape. Chechen witnesses claimed that the police killed an unarmed suspect when he surrendered himself. Dadaev was wanted for an attempt on the life of a Dagestani businessman, Magomed Tazirov, in the city of Stavropol. Tazirov survived the attack and reportedly hired Stavropol police to exert revenge on Dadaev. Tazirov's exact role in the Stavropol police's operation in Grozny remains unclear and his case may have been used as a pretext by the Russian security services.



(Source: [Flickr User Nika](#))

The story would hardly have been noticed unless Kadyrov had reacted so harshly to Dadaev's killing in Grozny. Kadyrov stated that Stavropol police broke the law, as they did not notify their Chechen colleagues about the special operation they were launching in the republic. Chechnya's governor also objected to a suspect being killed rather than arrested and tried in court. Kadyrov finally lashed out at the Chechen police and demanded that they open fire at police from other Russian regions, if they act on Chechnya's territory without a warrant from the Chechen government. Kadyrov also had a heated exchange with Russia's Interior Ministry and

Investigative Committee, accusing the former of lying and demanding an explanation from the latter on why the charges against the Stavropol police were dropped.

IMPLICATIONS: While the conflict between Kadyrov and Moscow superficially seems spontaneous, it is in reality highly likely that it was preplanned by the Russian government. It is unclear, for example, why Chechens close to Kadyrov would organize Nemtsov's assassination unless someone had asked them to. Kadyrov's own motivation for attacking Nemtsov is also not self-evident. Kadyrov had far more robust critics than Nemtsov among the Russian opposition.

After the exchanges with the Russian federal agencies, both Kadyrov and Moscow have scaled down their statements and have downplayed the importance of what they said. Some Russian observers therefore regarded the incident only as a way for Moscow to gradually reduce Kadyrov's influence and signal that he must become more like a regular Russian governor, taking orders from Moscow and never obstructing the central authorities. The conflict is unlikely to end there, however, because Kadyrov has set a dangerous precedent for the governors of the neighboring regions. Dagestan's governor, Ramazan Abdulatipov, has supported Kadyrov in his fight with Moscow, saying that the police must inform regional authorities about special operations carried out in the republics. If Kadyrov goes unpunished, his behavior may become the new norm

in the North Caucasus to the detriment of Moscow. In turn, Kadyrov does not appear willing to back down. For example, he will likely not concede to unlimited execution style police operations in the republic by external law enforcement agencies. Kadyrov has effectively claimed a monopoly on violence within Chechnya's borders and Moscow does not yet seem to have found a way around it.

The larger dilemma for Putin is that he is tied to the republic through his rise to the presidency. Putin's consolidation of power and his popularity in Russia is directly connected to Russia's conquest of Chechnya in 1999-2000 after a humiliating defeat in 1996 and the successful Chechenization of the Russian-Chechen conflict after the second Russian-Chechen war. Any changes in Chechnya's status quo will likely affect Putin's public standing in Russia, although it is hard to predict what the repercussions may be. In the case of another Russian-Chechen war, which some have predicted, the impression may be that Putin failed to deliver on political stability and security. Some Russian commentators have posited that a third Russian-Chechen war would distract the Russian public from the military and political fiasco in Ukraine and allow a face-saving exit strategy for president Putin. The Russian establishment and some Russian liberals from the opposition appear concerned about secession aspirations among Chechens as Moscow exhausts its resources.

The weakening of Russia's central government is a real prospect, as the

country experiences intense international pressure and is stuck in the stalemate of the Ukrainian conflict. Important international players and Russia's neighbors have learned the hard way that a wealthy, nationalistic Russia is a dangerous, risk-acceptant international player and must be kept in check.

CONCLUSIONS: The crisis in the relations between Moscow and Grozny indicates that the Russian-Chechen conflict is far from over. Regardless of the outcome of the conflict, in which Kadyrov evidently has fewer chances of survival than the Russian leadership, the Russian-Chechen history of violence is likely to continue. Moscow's increased pressure on Kadyrov indicates that the Russian government regards the situation in Chechnya to be safe enough to ignore the implications of Kadyrov's removal. At the same time, Russian authorities regard Kadyrov as a liability in case Russia experiences a power breakdown, similar to that of the late USSR. Regime change in Moscow does not seem likely at present, but the country's economic fortunes are uncertain and may eventually result in significant political shifts.

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THE CHALLENGES TO GEORGIA'S ENERGY SECTOR

Ariela Shapiro

In April 2015, Georgia's Ministry of Energy (MoE) officially presented for review the International Energy Agency's (IEA) Energy Policy Review of Countries in Eastern Europe, Caucasus and Central Asia, which details Georgia's energy strategy, achievements and recommendations for future policy recommendations. This policy document aligns with the Georgian Government's updated energy strategy and recommends Georgia to increase its energy security through utilizing its renewable energy potential, upgrading its energy infrastructure and diversifying supply via interconnections with neighboring countries. The document inadvertently highlights existing security gaps in Georgia's energy sector. Given Georgia's geopolitical realities and critical reliance on neighboring countries for energy, the current administration faces multiple challenges to building a self-sustaining and secure energy sector capable of meeting both local consumer needs and projected export obligations.

BACKGROUND: Since 2004 and the years of chronic blackouts, Georgia has made significant progress towards both stabilizing its energy grid and integrating it with key regional energy trading systems. Through a variety of international donor financed projects, the Georgian Government (GoG) has rebuilt and or replaced Soviet era infrastructure, such as natural gas pipelines, transmission lines and substations, while also utilizing state of the art technology to maintain critical substation and pipeline infrastructure. To further ensure the energy grid's ability to respond to critical imbalances, the GoG has supported the need for system-wide integrated automated emergency response systems.

In parallel with stabilizing Georgia's energy sector, various administrations have worked to establish the country's role as a regional energy transit route and potential energy export point. On

September 18, 2013, the Georgian and Turkish governments ratified a cross-border interconnection agreement, which is intended to meet Turkey's forecasted increased energy consumption needs. Given the country's massive natural hydropower resources, Georgia was, and is still considered by many, to be a natural candidate to supply Turkey's projected energy demand.

In order to ensure a stable and secure flow of power to Turkey, the GoG, through the support of the European Bank for Rehabilitation and Development (EBRD) and the KfW bank, and within the framework of the Black Sea Transmission Network Project, built the new 400 kv Borchkha-Akhalsikhe transmission line, supported by the high voltage direct current (HVDC) back-to-back Akhalsikhe Substation.

In another instance, USAID supported the GoG to replace or refurbish 147 kilometers of critical natural gas pipeline segments between Poti and Gori, which will enable local consumers to receive regular access to natural gas. In addition, KfW, the Asian Development Bank (ADB) and EBRD are also supporting the rehabilitation of the Jvari-Khorga transmission line and relevant key substations. The Jvari-Khorga line is critical for stabilizing the electrical grid in Western Georgia, and the 500 kv Imereti line, while further ensuring a reliable transit of energy from northern Georgia to Turkey



(Source: [Wikimedia Commons](#), S. Sutherland)

Recently, the International Finance Corporation (IFC) announced its involvement in a US\$ 250 million project to rehabilitate the Shuakhevi hydropower plant (HPP), located in the Adjara Region. The IFC debt arranged financing consists of two US\$ 90 million long term senior loans, one each from ADB and EBRD, with US\$ 70 million committed from IFC. However, the IFC's total investment is US\$ 104 million, which includes a US\$ 34 million equity investment in the project company, Adjaristqali Georgia, and is a joint venture for India's Tata

Power, Norway's Clean Energy, and the IFC.

IMPLICATIONS: As indicated, most investments in critical fixed infrastructure in Georgia were attained through the support of donors or international financial institutions, rather than solely secured foreign direct investments. Recently, the financing model of infrastructure projects has transformed from sole support by international donors to a hybrid partnership consisting of international donor/financial institutions and private investors, implying that international donors have helped leverage private investment interest in Georgia. In addition to the Shuakhevi HPP project, the Paravani HPP, located in the Samtskhe Javakheti Region, reflects one form of a new creative funding model.

The Paravani HPP, operated by Georgian Urban Energy, is owned by the Turkish Andolu Group and EBRD, with the former being a 90 percent stakeholder and the latter holding 10 percent. To support construction costs, the EBRD invested US\$ 52 million, while an additional US\$ 40.5 million came from the IFC and a further US\$ 23 million was raised from commercial banks.

While both the Shaukhevi and Parvani projects demonstrate the tremendous international interest in Georgia's hydropower resources, they also imply that private investors are shy to invest without the safety-net offered by international donors and or financing agencies. At present, no sole FDI joint ventures or public-private partnerships,

i.e. between private investors and the GoG, have materialized in the energy sector.

In addition, while the GoG is capable of financing and implementing small infrastructure projects such as the construction of a 25 kilometer new natural gas pipeline in Khakheti, larger projects require external support in the areas of financial and technical assistance.

Under these donor funded critical infrastructure projects, most key construction and oversight functions are performed by either international contractors or technical specialists. As a result, Georgian companies and individuals are rarely directly involved in all the fundamental phases of these projects, such as design, construction, operation and maintenance. While donors and their contractors work with and coach relevant Georgian counterparts, these capacity building activities usually impact a select few Georgian nationals. In most cases, these individuals already possess advanced training and knowledge, as compared to the overall population, and are often later recruited by international firms for projects outside Georgia.

Currently, Georgia does not have a substantial cadre of highly trained technical specialists, possessing the knowledge and skills to construct, operate and maintain its energy grid without the support and guidance of international technical experts. Therefore, key infrastructure sites are often constructed by international contractors, rendering Georgia

dependent on external advice and support to build its energy network.

CONCLUSIONS: The Georgian Government faces multiple challenges in creating a policy that will support both the country's long-term energy security and interdependence with regional trading partners. Before becoming fully integrated into regional energy networks, Georgia must first ensure the stability of its internal energy grid, which requires continued maintenance and upgrading, as well as its ability to meet local consumption needs. In 2014 Georgia imported electricity from Armenia, Azerbaijan, Russia and Turkey, with Russia and Azerbaijan being the key import countries. Therefore, while Georgia does export energy during the summer months due to hydropower resources, its energy sector requires additional time, financing and human resources before gaining long-term stability, sustainability and security. The energy sector may be further strengthened by increasing generation capacity, building new power plants or rehabilitating existing ones and constructing new transmission lines, all of which will work to support a reliable transit of power through Georgia.

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INGUSHETIA'S LEADER CLAIMS THE END OF INSURGENCY IN HIS REPUBLIC

Huseyn Aliyev

On May 17, the head of the republic of Ingushetia, Yunus-bek Yevkurov, announced in an interview to the *Russian News Service* radio station that there are only 14 insurgents left in the republic. Yevkurov insisted that his security services have detailed profiles on these members of the insurgency, who have long been included in federal search lists. Despite detailed information about the identities of these militants, their whereabouts remain unknown to the authorities because, as stated by Yevkurov, "these people are spread all across the republic: some of them are hiding in forests, others in urban areas." Realizing that his quantitative assessment of the insurgency's strength is rather hard to believe, Yevkurov added that "of course, these bandits have assistants and kin members who can easily join their ranks, when needed." The latter statement suggests that the authorities are well aware that the actual number of members of the Islamist underground in the republic is above the figure claimed by Yevkurov.

In Yevkurov's words, the main reason why the republic's security services, several thousand-strong, have so far failed to locate and neutralize a dozen insurgents, is due to the militants' "exceptional" sophistication. As stated by Yevkurov, "these bandits have extremely good counterintelligence, they know how to conceal their radio and phone communication. To a certain extent they are one step ahead of

modern technology." Hence, the head of Ingushetia tacitly admitted that the militants are not only better equipped than his counterterrorism units but also have better access to modern technology. Yevkurov narrowed down the explanation for this "superior professionalism" of Ingushetia's militants to their training by "foreign secret services." He emphasized that "here in Ingushetia, hiding in mountains, it is impossible to learn all these things." The latter statement falls in line with the common rhetoric of blaming the effectiveness of Islamist insurgents in the region on their alleged links with foreign (presumably Western) intelligence services, which was previously reiterated by Chechnya's leader Ramzan Kadyrov.

Nonetheless, Yevkurov announced that "terrorism has been defeated" in his republic and that over the past four years, 80 members of the Islamist underground have voluntarily surrendered. All 80 of them were later amnestied and only one has since re-joined the militants.

However, Yevkurov's bold announcement about the demise of the insurgency comes amid a relative decrease in militant activity across the North Caucasus. In fact, only one insurgency-related incident in the republic has occurred since the start of the year, in which one member of the security forces was killed in a confrontation with militants, while one insurgent was injured.

While some analysts suggested that the decrease in militant activity is due to last year's killing of the head of Ingushetia's insurgency, Arthur Gatagazhev, the decline of the Ingush wing of the Caucasus Emirate (CE) is more likely a part of the overall decomposition of Islamist insurgency in the North Caucasus. Quantitatively, Ingushetia's branch of the CE started phasing out its activities after the capture of its founder, amir Magas (Ali Taziyev) in 2010, which weakened its position within the CE. For example, as estimated by the *Caucasus Knot*, only 37 people became casualties of the armed conflict in Ingushetia in 2014, in comparison to 94 victims in 2013. In 2011, following the capture of amir Magas, the number of insurgency-related casualties decreased to 108 from 326 in 2010. Yet, Ingush militants have managed to increase the rates of violence in the following year, causing 167 casualties. Nevertheless, the overall decline of the CE has delivered a heavy blow to the Ingush insurgency, leaving it in steady recession. This decline became even more obvious after the death of the CE's longtime leader Doku Umarov in late 2013 and the failure of his successor, Dagestani cleric Aliaskhab Kebekov, to prevent the CE's decomposition.

Given that the current head of Ingushetia's militants recently announced his decision to pledge loyalty to the Islamic State (IS), the withdrawal of significant numbers of Ingushetia's militants from the CE becomes imminent. Given the

traditionally close linkages between Ingush and Chechen Islamists, the above move can be expected to create cleavages within Ingushetia's insurgency similar to the situation in neighboring Dagestan. In this light, the current lull in insurgency-related activities in the republic is likely a consequence of internal strife within the CE rather than the ability of Ingushetia's security forces to put an end to the insurgency.

GEORGIA FAILS TO OBTAIN VISA-FREE REGIME AT EaP RIGA SUMMIT

Eka Janashia

The EU refused to grant Georgia a visa-free regime at the May 21 Eastern Partnership summit in Riga. The summit's declaration heralds that Georgian citizens will be granted visa-free access to the Schengen zone as soon as all necessary reforms are in place. Although the Georgian government met only 7 of 15 compulsory requirements – conditional for obtaining an EU visa-waiver – it optimistically hoped to extract a concession. The country's eligibility will be assessed again at the end of 2015.

The EU-Georgia visa liberalization (VL) dialogue started in June 2012 and was embodied in a visa liberalization action plan (VLAP) one year later. VLAP demands that certain criteria are fulfilled to grant Georgian citizens a short stay in the Schengen zone without a visa.

In the fall of 2014, the European Commission (EC) reported on Georgia's successful accomplishment of VLAP first-phase benchmarks, enabling it to move to the realization of the next phase.

The EC's report from May 8, 2015, report categorized Georgia's progress on VLAP criteria as “almost,” “partially” or “completely” achieved. The benchmarks regarding document security; integrated border management; fighting organized crime; protection of personal data; freedom of movement; issuance of travel and

identity documents; and international legal cooperation in criminal matters were assessed as completely achieved. In the almost achieved category, the report mentioned migration management; money laundering; cooperation between various law enforcement agencies; and citizens' rights, including protection of minorities. Among partially achieved benchmarks are asylum policy; trafficking of human beings; anti-corruption; and drug policy.

With regard to anti-corruption policy, the report urged Georgia to reform the civil service, drawing on international practice, and modify the civil service law in compliance with the scope and standards of a professional and de-politicized civil service. It also suggests revising the drug policy to confer it more “restorative” than “retribution” connotations.

The report included a comprehensive document elaborated by the Commission's staff, based on factual analysis and statistics, on the anticipated migration and security implications of Georgia's VL for the EU.

The document concludes that the EU is an attractive destination for Georgian migrants as well as Organized Criminal Groups (OCGs), triggering a range of potential security challenges. The paper admits that migrant flows would remain limited due to Georgia's small

population, but in case of a new armed conflict the number of Georgian citizens aspiring to settle in EU would increase considerably. In this regard, the VL could become instrumental for Georgian nationals to apply for asylum in EU member states and legalize their protected stay there.

In this perspective, the VL is not merely a technical question for Brussels but also a political one with clear security implications. In contrast, Georgia's Prime Minister Irakli Gharibashvili stated that the "political decision" to grant Georgia a visa-free regime has already been taken and only "technical procedures" remain.

Georgia's political opposition slammed the government for failing to do its "homework," depriving the country of free traveling advantages to EU.

Before the Riga summit, the government reportedly highlighted the benefits that Georgia could gain from the VL. In a joint letter, Georgia's President Giorgi Margvelashvili, PM Gharibashvili, and speaker of parliament Davit Usupashvili asked the EU to make an "unambiguous endorsement of the visa-free regime ... For Georgians, visa liberalization will provide a long-awaited tangible reward for reforms and encourage renewed efforts." The letter said visa liberalization will promote tourism, cultural proximity, student exchange programs and civil society partnerships. More importantly, the EU visa-waiver will demonstrate to the inhabitants of the occupied territories of Abkhazia and Tskhinvali regions the practical

advantages they could gain from reintegration with the Georgian state.

However, in the run-up to the Riga summit, German Chancellor Angela Merkel said that Georgia, along with Ukraine, has not made enough efforts to get the VL and "a lot still needs to be done," meaning that Brussels will overhaul the process of reforming and cogently appraise Georgia's eligibility, and detach the issue from the sensitivity of Georgia's territorial integrity or public opinion.

While the benefits that Georgia may gain from the VL is clear, the EU's continuous refusal to grant the country such an agreement also exposes Georgia to certain risks. According to the last polls commissioned by the U.S. National Democratic Institute (NDI), a majority of the respondents still approved of Georgia's Euro-Atlantic integration. Yet the number in support of joining the Russia-led Eurasian Union has steadily increased in recent years. From 11 percent in 2013, it soared to 20 percent in 2014 and to 31 percent in 2015.

This trend simultaneously demonstrates the growing EU skepticism in the country caused by Georgia's opaque perspective of obtaining EU membership or extracting "tangible" benefits from "political rapprochement and economic integration" with it.

As put by European Council President Donald Tusk, Kyiv, Tbilisi, and Chisinau "have their rights to have a dream, also the European dream." Yet the slow progress in Georgia's EU integration risks deepening the sense of

alienation among Georgians and could contribute to diverting the country from the Euro-Atlantic path on which it has set out. Georgia's government needs to work diligently to avoid such an outcome.

ARMENIA'S AND GEORGIA'S PRIME MINISTERS IRON OUT RECENT STRAINS IN BILATERAL RELATIONS

Erik Davtyan

On May 17, Armenia's Prime Minister Hovik Abrahamyan paid a working visit to Batumi, Georgia and met his counterpart Irakli Gharibashvili. The interlocutors discussed the current level of bilateral relations, as well as issues of future economic cooperation. Georgia's PM also met with Armenia's Minister of Transport and Communications, Gagik Beglaryan, and the Chair of the Standing Committee on Economic Affairs of Armenia's National Assembly, Vardan Ayvazyan. The one-day visit was of strategic importance for the future of Armenian-Georgian relations due to a recent diplomatic scandal that engaged the two neighboring countries.

On May 3, the Speaker of Armenia's National Assembly, Galust Sahakyan, met with Anatoliy Bibilov, the Chairman of South Ossetia's Parliament who arrived in Stepanakert to attend the parliamentary elections in the Nagorno-Karabakh Republic (NKR) as the head of South Ossetia's observing group. Though the Armenian authorities emphasized that the meeting had a private, rather than political character, high Georgian officials expressed strong reservations against it. Georgia's ambassador to Armenia Tengiz Sharmanashvili conveyed this message to Armenia's Deputy Minister of Foreign Affairs Sergey Manasaryan, who confirmed

Armenia's support for Georgia's sovereignty and territorial integrity.

Moreover, Armenia's ambassador to Georgia Yuri Vardanyan was summoned to Georgia's Ministry of Foreign Affairs on May 4. Deputy Foreign Minister Gigi Gigidze noted that the Sahakyan-Bibilov meeting was detrimental to the friendly relationship between Georgia and Armenia. Gigidze said that Georgia "does not accept any kind of meeting between officials of an allied republic and the occupation administration." In turn, Prime Minister Abrahamyan called his colleague and reaffirmed Armenia's recognition of Georgia's territorial integrity. At a joint session of some standing committees of Georgia's Parliament, Georgia's Foreign Minister Tamar Beruchashvili expressed her firm belief that the Sahakyan-Bibilov meeting must have been organized by "forces that have serious and far-reaching plans."

Simultaneously, on May 4 Georgia's Ministry of Foreign Affairs released a statement, according to which the ministry "reaffirms its support for the sovereignty and territorial integrity of Azerbaijan and does not recognize the so-called 'Parliamentary Elections' held in Nagorno-Karabakh." Although Georgia, along with other states traditionally does not recognize Nagorno-Karabakh as an independent state, this statement was a unique

response to Sahakyan's meeting with a high representative of Georgia's breakaway region. Generally, Armenia's political parties have not criticized Sahakyan for his informal ties with Bibilov. Moreover, the head of the Heritage Faction, Rubik Hakobyan, stated that Georgia's reluctance to recognize the elections in Stepanakert and its support for Azerbaijan's territorial integrity indicates that Armenia should adjust its position towards Georgia to resemble that of Georgian authorities.

However, Prime Minister Abrahamyan's short visit to Batumi and the outcomes of the diplomatic negotiations clearly show that the two governments have quickly overcome the tensions caused by the meeting. Armenia and Georgia are currently developing their relations especially in the energy field, and the visit of the Minister of Transport and Communications served to further enhance bilateral cooperation. In December 2014, Minister Beglaryan and Georgia's Deputy Prime Minister Giorgi Kvirikashvili signed an agreement on the construction of a new border bridge, the Friendship Bridge, which will bolster bilateral commercial ties.

The two states are also planning to build a fourth high-voltage transmission line connecting their power grids. This estimated US\$ 105 million project is projected to enhance mutual electricity supplies. Similarly, trade turnover between Armenia and Georgia is increasing. In 2014,

Armenian foreign direct investments (FDI) in Georgia grew by 139 percent, compared to 2013.

Experts believe that Abrahamyan's recent working visit signaled continuity in cordial relations and high level cooperation between Georgia and Armenia. Johnny Melikian, an expert on Georgian studies, stressed that "this visit was a message to all states that thought there was serious crisis between the two countries." The expert explained that these kind of incidents always take place in interstate relations, but this one could not affect Georgia-Armenia relations for the worse.

During the working visit, the Prime Ministers agreed to hold the next meeting in Javakheti in order to discuss the problems that exist in the region.

PARTY RESTRUCTURING IN KYRGYZSTAN PRIOR TO 2015 ELECTIONS

Arslan Sabyrbekov

Kyrgyzstan's political parties are aligning for the upcoming parliamentary elections. On May 21, the two political parties Butun Kyrgyzstan (United Kyrgyzstan) and Emgek (Labor) officially announced their unification, despite differences in political program and ideology. During their joint press conference, the leaders of the newly created party "Butun Kyrgyzstan Emgek" stated that they have agreed on all the essential positions. According to the party's co-chairman Adakhan Madumarov, "we share the same values and hold one single position on all the critical issues. Our political party holds a strong view that Kyrgyzstan should go back to a pure presidential form of governance since the current semi-parliamentarian system has divided our country and led to anarchy, with politicians bearing no responsibility for their deeds." The party's other co-chairman Askar Salymbekov, an oligarch and owner of the country's largest market Dordoi, added that his party received a number of proposals to unite with other political forces but found a strong compromise only with "Butun Kyrgyzstan."

The union of these two relatively big political parties received varying reactions from local expert circles, with many predicting its success in the upcoming parliamentary elections in November 2015. During the last elections in 2010, Madumarov's political

party "Butun Kyrgyzstan" almost made it to the national parliament, lacking about 1 percent of the votes to overcome the required threshold. In 2011, Madumarov, a former journalist and a close ally of the ousted president Bakiev, former speaker of parliament and head of the country's Security Council ran as a presidential candidate, receiving 15 percent of the votes and coming second in the race. Following the presidential elections, Madumarov remained an outspoken critic of the country's political leadership until he was nominated as deputy Secretary General of the Cooperation Council of Turkic Speaking States, a decision that was viewed by many as a sign of loyalty to Kyrgyzstan's political leadership. Despite numerous claims that Madumarov would not participate in the upcoming parliamentary elections, he officially stepped from his position as deputy SG of the Turkic Council and returned to Kyrgyzstan in mid-May.

According to political commentators, the newly formed political union has a good chance of entering the national parliament. The former Bakiev ally Madumarov comes from southern Kyrgyzstan and continues to enjoy widespread support there. His party ally Salymbekov comes from the northern part of the country and his substantial financial wealth will allow for an impressive nationwide election campaign.

The newly formed political party constitutes a union between two political forces guided by short-term political interests. In the words of political analyst Mars Sariev, “the lack of program or ideological commonalities between them might endanger the party’s existence after the election period.” Other prominent members of the new party include Kyrgyzstan’s former Prime Minister Amangeldi Muraliev, former speaker of Parliament Altai Borubaev and a number of other formerly prominent state figures.

The tendency to merge political parties ahead of the parliamentary elections started a year ago. Last fall, the political parties Respublika and Ata-Jurt formed a new union, guided by similar regional and financial factors. According to MP Daniyar Terbishaliev, the political parties are at this stage preoccupied with forming their party lists. At a roundtable held in Bishkek, he stated that anyone willing to be in the so-called “golden ten” – the top 10 candidates on the party’s election list – must allocate from US\$ 50,000 up to 1 million to the party fund, depending to their popularity among the electorate. Terbishaliev said this tremendous degree of corruption in the formation of party lists can only be regulated through tougher regulation of election funds and necessary adjustments to the law on elections.

In early May, Kyrgyzstan finally introduced new amendments to its election code. As predicted, the threshold for political parties to enter the parliament was increased from 7 to

9 percent, forcing political parties to merge. Also, according to the latest data from the Ministry of Justice, 200 registered political parties exist in Kyrgyzstan, a country with a population of 5 million.