

# Central Asia-Caucasus Analyst

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*Central Asia- Caucasus Institute  
Silk Road Studies Program*



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# THE CENTRAL ASIA-CAUCASUS ANALYST

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## **Submission Guidelines:**

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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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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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# MANAGED VERSUS ELECTORAL POLITICAL CHANGE: LESSONS FROM ASIA

Peter J. Winglee

*With the recent efforts to make President Nazarbayev president for life, it is useful to compare the Central Asian approach to governance to that in the single party states, China and Vietnam. Despite criticism about their deficiencies in democracy and human rights, these two countries have made great progress in developing their economies, opening up their societies, and finding a political system that both works now and can also evolve. Since democracy is slow to take root in Central Asia, analysis of other political systems that local elites accept may produce better outcomes than are now prevailing.*

**BACKGROUND:** Although many have advocated the virtues of democracy in Central Asia it has not taken root. As a result, all the political leaders in the region, once in power, stay there until death or a very extreme situation. Proposals by the ruling Otan Party to make President Nursultan Nazarbayev president for life are part of a pattern in the region. President Saparmurad Niyazov of Turkmenistan formally received such a title, and Presidents Islam Karimov and Imomali Rakhmon show no sign of leaving. President Askar Akayev of Kyrgyzstan left after large protests, but his successor President Kurmanbek Bakiyev won the July 2009 elections by biasing the system strongly in his favor. Remaining in power until the end was also a pattern in the Soviet Union for all leaders except for Nikita Khrushchev and Mikhail Gorbachev.

Beyond the obvious self interest, the lack of change at the top may also be due to beliefs that election-based democracy is inappropriate for Central Asia's undeveloped political institutions. An incumbent has little incentive to permit a free election if the result would be a major reversal of the current policies, or if the new leader will just bias the system to stay in power himself. Unfortunately, governance

tends to suffer with long ruling leaders. Even if polices were sound at the start of the regime, once regime survival starts to be a major focus, repression and weak governance can stifle innovation and policy development.

The more developed transition countries (in the Baltics, and Central and Eastern Europe) have successfully used democracy to foster robust political, social, and economic development, but this should not be the only option. The current election - focused approach to improving governance is not gaining acceptance in Central Asia. In response, donor engagement is evolving to also build up institutions needed for a democracy, such as for accountability and the rule of law. But without further improvements in high level governance, it is difficult for this technical work to bring on fundamental change. In contrast, China and Vietnam have developed their economies very successfully despite their nondemocratic one-party political systems. This economic transformation could not have been achieved without flexibility in these political systems since top-down dictatorships are very poor in managing change.

**IMPLICATIONS:** Asian political pragmatism was born out of economic necessity. After the economic failures of the Cultural Revolution

and Mao's personality cult in China, and the early post-war reconstruction in Vietnam, it became clear that a rigid ideological economic model would not work. In developing their reforms, the leaderships realized that the problem was not only economic but also political. As a result, both countries adopted various elements of political pragmatism.

The key characteristics of the leadership of the Communist Parties of China (CPC) and especially Vietnam (CPV) are both their collective nature and periodic changes. In both

cases the president needs to rule by consensus, at least within the Politburo. In Vietnam, the leadership is split between the president, prime minister and the general secretary. Leaders change in China after two five-year terms, and in Vietnam, single 5-year terms are not uncommon. While the selection process is nontransparent negotiation, it does provide for some evolution of policies, as the faction with the more economic success can typically get greater representation. Leadership changes also prevent personal interests from becoming too

entrenched, thereby limiting corruption (although no one denies that it is still a major problem) especially because the most egregious cases can be prosecuted by the new leadership.

The term step-by-step approach to economic reform in China and Vietnam referred not so much to the pace, as the breaking down of the process into bite size pieces that could be tested and analyzed. This was adopted because there was no reliable experience with transition, especially as the interaction with other distortions made policy results hard to predict. For this approach to be successful, considerable differences in policy approach and debate from a relatively representative group of the population needed to be tolerated and the analysis of the results had to be reasonably objective. While not freedom of speech in the full democratic sense, the freedoms are considerably more extensive than in the pre-reform period.



Nursultan Nazarbayev

The opening to the outside world meant opening not only to goods, but also to ideas. On the goods front, the competition from an export orientation strengthened industry. More importantly, in a dynamic sense incorporating useful foreign ideas and knowledge are essential for long run competitiveness. The internet is but the latest form of information transfer that has been accepted to promote technological advancement, despite its ability to also spread unwanted information. Attempts to filter such information have rarely had a sustained success as technological bypasses have always been found. Substantial numbers of middle class Chinese travel and study abroad, and observe democratic countries, but they return to China and live within the system.

One key difference with East Asia is that Central Asian economies depend on natural resource exports and aid flows. These reduce the impact from international factors that force economies to be competitive. Of course, these resources can be used to build up the physical and human capital base when used productively. In particular, fostering the non-resource sectors will typically require a more skilled labor force to offset the higher wages from resource development. Such higher skills and education could lead to a more pluralistic society in time. However, experience shows that resource and aid inflows are not always used productively. Outside pressures for transparency and governance standards pertaining to those receipts can help, but this remains a major challenge.

**CONCLUSIONS:** The lesson from China and Vietnam is primarily the importance of each country adopting its own path for development,

especially for sensitive political issues. While there are many differences between Central and East Asia, utilizing appropriate international experience can expedite this process by showing how politics, governance, and the economy can interact.

Rather than focusing on the lack of democracy in Central Asia, a broader dialogue on the relationship between politics and development could be useful. Institutionalized leadership change can help build in evolutionary policy changes and to give the current leadership a role (but not the only voice) is the selection of the new generation. Thus leadership change will not be seen as failure but as passing the torch. Managed change can also broaden the base of expertise as others in the hierarchy are moved. Despite the trappings of democracy, Russia has adopted this approach, with Yeltsin's nomination of Putin as successor, and then Putin's nomination of Medvedev. Frederick Starr has pointed out the role of such behind-the-scenes negotiation by leaders in his work on clans and informal power centers in Central Asia. The balancing of factions, when complemented by a focus on economic growth and foreign competition, can also help to avoid growth-stifling corruption. While less representative than in a fully functioning democracy, a consensus based system could provide more flexibility and policy pragmatism than a system of long-ruling leaders.

**AUTHOR'S BIO:** Peter J. Winglee is an experienced international economist who has experience working for international financial institutions and has led several missions to support reforms in transition economies in Central and Southeast Asian countries.

## AFGHANISTAN: WAR BY METRICS?

Richard Weitz

*For the past few months, Congress has been pressing the Obama administration to provide it with “metrics” to judge the success of U.S. policies for countering the insurgencies in Afghanistan and Pakistan. The administration has been struggling for months to comprise these measures of effectiveness since, among other considerations, the figures could affect its ability to sustain support in Congress for its Afghan-Pak strategy. In the interim, analysts must rely on the publicly available indexes compiled by the Brookings Institution and other organizations. Although not without problems, these figures do provide some interesting insights into the wars.*

**BACKGROUND:** In presenting his administration’s new integrated strategy for Afghanistan and Pakistan in late March, President Barack Obama reassured skeptics that “we will not blindly stay the course. Instead, we will set clear metrics to measure progress and hold ourselves accountable.” Some members of Congress and other observers hope that quantitative measures might provide an objective set of criteria for helping assess the course of these wars and, ideally, the effectiveness of U.S. policies towards them.

Yet, military metrics can be dangerous. By encouraging progress in one dimension, they lead actors to neglect others. By focusing on that which can be measured, they can neglect what is important. A preoccupation with metrics such as “body counts” and other misleading and abused quantitative measures contributed to the American defeat in Vietnam by encouraging the U.S. military to kill insurgents rather than protect the population. Above all, metrics of war are especially difficult to measure in the case of insurgencies, where subjective factors can easily prove more important than seemingly objective hard data.

The best nongovernmental source of metrics for the wars in Afghanistan, Pakistan and arguably Iraq are currently compiled by a team

at the Brookings Institution. Their approach helps guard against some of the dangers discussed previously by employing a broad range of metrics rather than presuming that a few key quantitative statistics are all-important. The Brookings indexes provide historical and current statistical data for three broad categories encompassing security, economics, and politics (which includes measures of public opinion). Many social scientists believe these variables affect the level of organized violence in a country, particularly the success or failure of an insurgency, a problem confronting all three of the indexed countries. The quantitative indicators range from trends in military casualties and crime to employment rates to opinion surveys.

The three indexes are not uniform. The absence of large U.S. military presence in Pakistan means that, whereas the Afghan and Iraq indexes are based primarily on data provided by the governments of the countries under review as well as official U.S. and coalition sources, the Pakistan index derives mostly from information supplied by official Pakistani statistics as well as those provided by the NGO community and the media. In addition, the Pakistani government, though troubled, has never experienced the trauma of forced regime



change and foreign military occupation. Since they are not currently battling an insurgency while simultaneously trying to rebuild a national bureaucracy, Pakistani authorities presumably have greater institutional capacity than their Afghan counterparts. For this reason, while the Iraq Index focuses mostly on the level of violence, and the Afghanistan Index on the capacity and viability of the central government, Brookings' Pakistan Index provides mostly information about socioeconomic trends in the country as well as the public's attitude towards war-related issues.

The Brookings team attributes great importance to the results of public opinion polls since they allow researchers to see how the data they compile about broader socioeconomic trends actually affects public perceptions. Guerilla wars are fought primarily for influencing the political allegiance of the local population rather than outright military defeat of the opponent. They are essentially wars of perception. The presumption is that Afghans and Pakistanis will only stop joining or supporting insurgencies if their governments are seen as meeting—or trying to meet—their needs and

concerns.

**IMPLICATIONS:** Notwithstanding these caveats, what do the indexes tell us about the course of the insurgencies? The socioeconomic indicators for Afghanistan and Pakistan remain low. In particular, Afghanistan still falls near the bottom end of most economic measures. Although some progress has occurred in aggregate growth indicators as well as the availability of health care, the overwhelming majority of Afghans live in poverty with minimum access to essential public services.

Levels of violence have also increased in both countries. The security situation in Afghanistan now appears worse than at any time since 2001. Casualties among Afghan civilians, the Afghan government, and coalition forces are at record levels. Opium production may have peaked, but at extraordinarily high levels. In Pakistan, the data shows that the number of suicide attacks has surged in recent years. A worrisome development is that about 40 percent of these attacks have occurred outside the Pakistani Taliban strongholds of the North-West Frontier Province (NWFP) and the Federally Administered Tribal Areas (FATA), including in the Pakistani heartland of the Punjab.

The public opinion results for Afghanistan and Pakistan are also not good. Support among the Afghan people for their government and its foreign military allies are plummeting across a range of important indicators. Ratings of the United States and the U.S. military have undergone a marked deterioration. One reason for the decrease is



(Getty Images)

that American and other foreign troops are seen as responsible for excessive civilian casualties. Although NATO and other sources now attribute most civilian casualties to the Taliban, Afghans seem to hold the allies to a higher standard.

The recent increase in U.S. forces — combined with guidance from the new U.S. military commander in Afghanistan, Gen. Stanley McChrystal, stressing the need to avoid civilian casualties even at the risk of allowing Taliban fighters to escape without harm — should over time further reduce the number of Afghan civilian casualties due to coalition action by reducing the need for air strikes and yielding more precise operational intelligence.

The main solace the coalition can find in these numbers is that the Taliban remain very broadly unpopular in Afghanistan. Surveys of Pakistanis indicate a slight improvement in their perception of safety and economic well-being. The results also show very high levels of hostility toward the Pakistani Taliban and al-Qaeda as well as Pakistani suicide bombers. Yet, the polls still record considerable aversion among Pakistanis towards the U.S. government and its policies. The figures also show little support for the current Pakistani government, which is closely allied with the United States.

The missiles fired by CIA-operated unmanned vehicles into Pakistan remain a source of acute public hostility. Nonetheless, the Obama administration looks set to continue these operations because they are widely considered successful within the U.S. intelligence community. Most recently, these drone strikes have assisted the Pakistani military during the recent Swat Valley campaign by killing Pakistani Taliban leader Baitullah Mehsud in early August. As in Afghanistan, aversion to the United States does not necessarily translate

into support for the extremists. Having recently seen the excesses committed by the Pakistani Taliban in Swat, Pakistani respondents overwhelmingly tell pollsters that they dislike the Taliban, their suicide attacks, and their extremist tactics, and support the government's offensive against them.

Another hopeful indicator is that, broken down by province, the results for Pakistan show a strong correlation between measures of instability and socioeconomic indicators relating to literacy, employment, education, health care and other variables. The Pakistani government has undertaken a major development program since 2006 to improve these quality-of-life indicators in those regions of Pakistan experiencing the most instability, namely Baluchistan, the NWFP, and especially the FATA. If the existing correlation continues to hold, then future improvements in socioeconomic metrics resulting from these initiatives should result in less violence in these perennially troubled regions.

**CONCLUSIONS:** Such diverging indicators naturally lead observers to wonder whether the glass is half empty or half full in Afghanistan and Pakistan. The problems with using these metrics to assess such a complex social phenomenon as war is that one does not know which of these many measurements provide the best indicator of an evolving situation. As they now stand, pundits and policy makers can and will cite them as evidence that the Afghan and Pakistani government is winning the war, losing it, or fighting it to a stalemate.

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# CENTRAL ASIAN WOMEN MIGRANTS DEAL WITH GLOBAL ECONOMIC CRISIS

Rafis Abazov

*The global economic crisis of 2008 and 2009 has intensified the public discourse over the migration of a very important and vulnerable group of the population in Central Asia – women migrant workers – and over public policy choices. The debates often focus on the merits of competing policy approaches and policy actions: should the national governments, NGOs and international donors in Central Asia continue supporting migrant workers by negotiating regional free trade and a free migration zone, and by collaborating on developing the regional labor market in the CIS? Or should Central Asian governments accept a greater responsibility for the well-being of their citizens, especially women, and work to create a better business environment and more jobs locally?*

**BACKGROUND:** The 2008-2009 global financial and economic crisis has had a massive labor-adjusting effect on the labor markets in the CIS in general and on women-clustered segments of the labor market in particular. This impact reversed a decade-long trend in job creation across the region. Since the 1990s, under pressure from globalization, economic adjustment, technological changes and opening of the local markets to international competition, most of the new jobs were created in the service sector, especially retail trade, catering, care economy, finance, banking and information technologies – the jobs which men in the region never even consider. Women greatly benefited from the steady nine-percent-a-year average growth of the service sector though a significant number of these jobs were created in the insecure and unpredictable informal economy.

The service segments of the economy were so underdeveloped in the past that they expanded faster than any other sectors of the national economies in the region in the boom years since 1991. The demand for a new workforce was so great in Russia, Kazakhstan and some other countries that it began absorbing even the

untrained labor from the rural areas across the CIS, including women migrant workers from Central Asia, who traditionally were not involved in migration and were often locked in poverty and unpaid housework. This trend became so profound that international organizations began talking about the feminization of migration in the region, as tens and hundreds of thousands of female retail sellers, waitresses, receptionists and personal secretaries have been recruited in foreign countries. However, the jobs were created unevenly – very few in close proximity of the labor surplus areas and localities (Kyrgyzstan, Tajikistan and Uzbekistan), instead mostly in the two fastest growing economies in the region, Russia and Kazakhstan. Yet the geographic distances and centuries-long Central Asian patriarchal traditions did not stop women from traveling to faraway places.

Due to the specific nature of economic development in the CIS, it is difficult to estimate the exact numbers of women migrant workers, as between 30 and 50 percent of them are working outside the formal economy. The problem is that many small and medium enterprises (SMEs) in the CIS region have

preferred to operate in the informal economy (experts estimate that between 23 and 41 percent of GDP in Russia is generated in the informal economy) and these do not report profits or number of employees. This is due to a difficult business environment in many localities and in order to avoid excessive bureaucratic control, taxes, red tape, or bribe extortions from state officials, to mention but a few factors. A UNIFEM-commissioned research published in 2009 estimates that the proportion of women migrant workers in the total outflow from the Central Asian region is between 18 and 35 percent. In absolute numbers this could constitute 300,000-850,000 people (out of about 2-2.8 million migrant workers from Kyrgyzstan, Tajikistan and Uzbekistan).

By and large, women have continued to search for jobs in faraway places, though they remain vulnerable to job-related abuse, fraud, violence, social insecurity and job instability. Women have found ways to address these problems: forming their own networks, communication channels and remittance-sending opportunities, and even beginning to win a greater social space and social respect in extremely conservative and patriarchal communities in rural Central Asia. The governments in these labor-surplus countries (Kyrgyzstan, Tajikistan and Uzbekistan) have greatly benefited from these migration flows as the out-migration has eased the pressures on the local labor markets and the need to develop efficient job-creation policies.



(Itar-Tass)

**IMPLICATIONS:** The worst economic recession in the region since the Russian ruble collapse in 1998 brought a new economic situation to the region. According to IMF estimates, the overall regional growth declined from an impressive 7.6 percent in 2007 to 4.7 percent in 2008 and to a swooping -5.6 percent in 2009. The GDP growth will probably remain just above a whisper in 2010 and 2011 at the rate of about 0.5-2 percent, and many sectors including services will stop growing and hiring. This will have huge implications for the labor market, especially among women migrant workers.

First, these women will probably form the majority of the World Bank-projected poverty increase of about 15 million people in the region due to job losses or salary cuts. Second, women labor migrants will experience growing job and income insecurity, both in the formal and informal sectors of the economy. There are reports of many companies asking their employees to work longer hours without pay,

transferring their employees into temporary or casual positions or threatening to fire workers if they do not accept tough working conditions. Third, in a desperate situation many women may become victims of fraud and human trafficking as they may believe in and accept false promises, having no other options. Fourth, women migrant workers are under increasing pressure from host countries and communities to return home, as according to the World Bank unemployment increased by 30 percent in the CIS, doubled in the Baltic countries and jumped by 60 percent in Turkey. Some politicians in migrant receiving countries tend to claim that the migrant-sending countries prefer a free-ride instead of returning home to work, and these politicians would like to protect their constituencies and labor markets by reducing the labor migration quotas, hardening labor regulation rules and exploring options to send migrants home.

The extent of external shocks, the global credit crunch and the economic slowdown was quite unexpected in the region. The effects on the labor markets will be long-lasting, as evidence from the region and various countries around the world suggests that employment will not return to its pre-crisis level any time soon.

**CONCLUSIONS:** The governments in the region should consider a series of far-reaching and gender-sensitive actions and policy initiatives in job creation not only at home but also across the region through regional economic cooperation in stimulating economic growth. First, the countries in the region should not close their borders and isolate themselves, but discuss and develop economic coordination of their Economic Stimulus Packages (ESPs) in order to utilize the complementary nature of

their economies and regional division of labor, established during the 70 years of economic integration. Second, there is also a need for assistance to labor-surplus countries for job creation, training and re-training the workforce and maintaining at least a basic social safety net, especially for women in need. The resource-rich neighboring and OECD countries, as well as regional and international organizations, should provide assistance, expertise and various forms of cooperation helping these countries in job creation and developing a more business-friendly environment for SME and self-employment opportunities. Third, it is important for the governments in the region to realize that the informal economy provides millions of jobs, especially for women. Thus, there is a need to strengthen the positive impacts of informal economic activities, such as significant job creation and labor force flexibility, while at the same time minimizing the negative side effects, such as dangerous working conditions, work related abuses and fraud. Finally, there is a need for development of a more organized and comprehensive network of grassroots organizations organized by women to provide assistance, meet women's needs and defend their rights.

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## MONGOLIA TO BECOME CENTRAL ASIA'S MINING EL DORADO?

John Daly

*On October 6 Mongolia's government signed an agreement with Canada's Ivanhoe Mines Ltd and London-based Rio Tinto mining companies to develop what will be the world's largest copper mine. The agreement follows six years of torturous negotiations between Ulaanbaatar and the foreign consortiums, but the imminent establishment of the US\$ 4 billion Oyuu Tolgoi ("Turquoise Hill") mining site is expected to yield a billion pounds of copper and 330,000 ounces of gold every year for at least the next four decades, with peak output of more than 725,000 tons of copper annually projected to occur within six years after start-up.*

**BACKGROUND:** While Mongolia's economy was traditionally based on herding and agriculture, the country also has some of Asia's richest deposits of minerals and neighboring China's rising demand for minerals has underpinned its current mining boom. Mongolia's vast minerals reserves include copper, coal, gold, molybdenum, fluorspar, uranium, tin, and tungsten deposits, but Ulaanbaatar has lacked the fiscal resources and technological expertise to develop them.

Further complicating the picture, Ulsyn Ikh Khural (State Great Hural, or Parliament) members were concerned about foreign deals being overly exploitative. Accordingly, amendments to Mongolia's 1997 Mineral Law became a political football as various Ulsyn Ikh Khural members attempted to prove their nationalist commitment by proposing differing permissible levels of foreign investment. In a nod to nationalist sentiment, in May 2006 the Mineral Law was amended to include a windfall tax, which raised tariffs to 68 percent on gold when its world market price exceeded US\$500 an ounce, and copper when it surpassed US\$2,600 per ton. Ivanhoe Mines and Rio Tinto balked at proceeding with Oyuu Tolgoi under what they regarded as overly onerous terms,

especially as their estimates, based on an initial 45-year mine life projected Oyuu Tolgoi project capital costs at US\$7.3 billion over the life of the project, make it the largest single development project and largest foreign investment undertaking in the history of Mongolia.

The country's mineralogical resources even became an element during last year's June electoral campaign for 76 seats in the Ulsyn Ikh Khural, with the Ardchilsan Nam (Democratic Party, or DP) promising each Mongolian a one-million togrog (US\$ 884) "share of treasure" of the country's forthcoming mineralogical revenues. The ruling Mongol Ardyn Khuv'sgalt Nam (Mongolian People's Revolutionary Party, MPRP) subsequently upped the ante, promising that each Mongolian would receive from the "country's profit" a 1.5 million togrogs (US\$ 1,296) grant.

The new coalition government, headed by MPRP Chairman and Prime Minister Sanjaagiin Bayar, was determined to finalize a Mining Law that would allow Oyuu Tolgoi to proceed.

The Ulsyn Ikh Khural voted on July 16 to authorize the government to conclude a long-



(Rio Tinto)

term, definitive Oyuu Tolgoi Investment Agreement with Ivanhoe Mines and Rio Tinto. In response, Bayar's government requested convening a special session of the Ulsyn Ikh Khural to debate proposed government changes to four laws inhibiting a definitive Oyuu Tolgoi contract, particularly annulment of the 3-year old 68 percent windfall profit tax, to take effect from January 1, 2011. The Ulsyn Ikh Khural approved the changes on August 25, clearing the way towards concluding the Oyuu Tolgoi Investment Agreement. Of the other changes, the Mongolian Government downsized its equity interest in the project to 34 percent.

**IMPLICATIONS:** Geologists estimate that that the Oyuu Tolgoi mine, which is expected to begin production in 2014, contains about 36 million tons of copper and 45.2 million ounces of gold. Oyuu Tolgoi's impact on the Mongolian economy will be massive, more than any other single project of the country's Communist or post-Communist history, as it is estimated that the mine will eventually

generate US\$30-50 billion in revenues. Rio Tinto CEO Tom Albanese said, "This is an incredibly important milestone in bringing on-stream one of the finest undeveloped copper-gold projects in the world. The Investment Agreement is also a landmark for the future development of Mongolia's resources industry."

According to the Center for Spatial Economics' report, entitled "The Economic and Fiscal Impacts of the Oyuu Tolgoi Project on Mongolia," the average annual percentage increase in the country's real GDP over the life of the project could reach almost 35 percent, with unforeseen consequences for the Mongolian economy's ability to absorb such a massive influx of cash.

It also remains to be seen whether the Oyuu Tolgoi agreement is a one-off, or will be used as a template for other foreign mining project investments. Aspects of the agreement continue to roil the Ulsyn Ikh Khural, as some parliamentarians are pressing for the

government to come up with a different approach to compensate for the loss of revenues currently being generated by the windfall profits tax, which will now expire in 2011. Minister of Minerals and Energy Dashdorj Zorigt said the government intends to study the possibility of gradually increasing the royalty tax if necessary and will submit the proposal to the Ulsyn Ikh Khural. Other companies as well as neighboring Russia and China will be keenly observing implementation of the Oyuu Tolgoi Investment Agreement and doubtless will be pressing Ulaanbaatar for similar terms if they feel their own agreements fall short.

**CONCLUSIONS:** The Oyuu Tolgoi Investment Agreement represents a watershed in Mongolia's post-Communist economic development. The country's substantive economic problems diminished the government's latitude to negotiate more favorable terms, as in the end it was forced to accept a minority share in the project. Nevertheless, 34 percent of a multi-billion dollar project will have a significant impact on a nation of 3 million.

Two issues remain unclear. The first, already mentioned, will be foreign business and governmental pressure over the terms of the Oyuu Tolgoi Investment Agreement. The second consideration is how the revenue generated by Oyuu Tolgoi will be used. Mongolians have a dim view of corruption in their country; according to Transparency international's Global Corruption Barometer 2009, 47 percent of those surveyed rated their government's fight against corruption as "ineffective." In a country where the CIA estimates that more than 36 percent of the population lives below the poverty line with an annual per capita income of US\$2,900, many destitute Mongols are going to be awaiting their "share of treasure" of the "country's profit." If however, a significant portion of the Oyuu Tolgoi revenue somehow winds up in Swiss offshore accounts, then Prime Minister Bayar's government could face civic unrest that made the July 2007 demonstrations in Ulaanbaatar look placid.

**AUTHOR'S BIO:** John C.K. Daly is an international correspondent for UPI.



New Book:

*The Guns of August 2008*

Edited By Svante E. Cornell and S. Frederick Starr

M.E. Sharpe, New York, June 2009,  
290pp

This book is designed to present the facts about the events of August 2008 along with comprehensive coverage of the background to those events. It brings together a wealth of expertise on the South Caucasus and Russian foreign policy, with contributions by Russian, Georgian, European, and American experts on the region.



## FIELD REPORTS

### THE FALLOUT OF ETHNIC CONFLICT IN XINJIANG

*Yuhui Li*

On October 10, the Intermediate People's Court of Shaoguan City of Guangdong Province in southern China sentenced one man to death and another with life imprisonment for their roles in leading the beating of Uyghur migrant workers at a local toy factory on June 26. The deaths of two Uyghur men that resulted from the beating was a direct cause for the riots in Xinjiang's capital Urumqi on July 5 that took the lives of nearly 200 people and injured more than a thousand more. On October 12, it was reported that six people were sentenced to death by an intermediate court in Xinjiang for murder and other crimes committed during the Urumqi riot.

The brawl in June started with a rumor that a Han Chinese woman had been raped by migrant Uyghur men. Mr. Xiao and Mr. Xu, the two men who were sentenced on October 10, led and incited their co-workers to join the beating of the Uyghurs. They also forcefully prevented medical personnel from helping the victims.

Reportedly, thousands of Uyghur people from many districts of Xinjiang participated in the Urumqi riot on July 5, which was triggered by the Shaoguan incident. Two days after the riot, tens of thousands of Han Chinese marched the streets of Urumqi to protest the killing in the capital city. Urumqi has since been under tight control by armed police. The situation took a different turn, however, on September 3 and 4 when hundreds of people, mostly Han Chinese, were stabbed with syringe needles on the streets of Urumqi. It was reported that these attacks were perpetrated even by Uyghur women and children. Waves of demonstrations following the needle-stabbing incidents resulted in more deaths and more panic. By mid-September, needle-

stabbing was reported to have spread to several other cities in Xinjiang.

In retrospect, the widespread participation of Uyghurs in the riot and their alarmingly intense resentment against the Han and the government were instigated largely by the government's handling of the Shaoguan incident. Information about the ill-treatment of Uyghur migrant workers, including of the two men who were beaten to death by their Han co-workers, was practically sealed. It was only after the Urumqi riot that news about what had happened in Shaoguan was reported to the general public in China.

In contrast to the handling of the Shaoguan brawl, the sentencing of the two men in Shaoguan was widely publicized in China. This is indicative of the government's intention to offset its image of indifference, at least in appearance, to the mistreatment of the minority people in the June incident in Shaoguan. Yet this gesture will in no way diminish the delicate and complicated nature of ethnic relations in China, particularly in Xinjiang and Tibet where the separatist campaigns for the independence of the respective regions remain especially sensitive issues. The Chinese government has implemented many policies in order to help increase the status of ethnic minorities and maintain national unity. The one issue on which the Chinese government exercises zero tolerance is the attempt to separate regions inhabited by ethnic minority populations such as in Xinjiang and Tibet from China. Yet, separatist ideas and movements have emerged frequently, especially since China started reforms in the 1980s.

After isolating itself from the outside world for decades, China opened up several cities along Xinjiang's border to neighboring countries for trade and tourism. What has been channeled through these port cities is more than just material goods, however. Information, literature, religious influences and other cultural exchanges have also crossed the borders, promoting autonomy and self-determination for particular groups and minorities. China is facing a serious dilemma. As long as China keeps pursuing policies for economic development and maintaining a trade relationship with neighboring countries, there will also be an influx of elements that will make it difficult to keep separatist ideas at bay. The death sentence of six men over the riot in Urumqi, for example, will most likely make the situation even more intense.

The revolts against the Chinese authorities by the Uyghur seem to have become increasingly more frequent and violent in recent years. In August 2008, a bus with explosives was driven into a group of police officers who were jogging in Kashgar, killing 16. Both the 2008 attack in Kashgar and the 2009 riot in Urumqi were considered by the Chinese government to be terrorist activities instigated by exiled Uyghur dissidents who advocate the

independence of Xinjiang. Assuming these charges are true, the question is how and why these forces were able to stage such atrocities in Xinjiang.

Furthermore, there are implications of the proximity in time between the two court rulings to issue death penalties to those responsible for the killing and other crimes in Shaoguan and Urumqi respectively. On the one hand, these sentences are indicative of the government's determination to prosecute those responsible for the crimes. On the other hand, the death sentences may generate even more unrest, particularly in Xinjiang.

To fundamentally solve the problems of interethnic conflict, the Chinese government needs to carefully review historical patterns of ethnic relations in China, particularly under the PRC, and try to come up with the most appropriate strategies in dealing with racial tensions. Such a long-term solution should be the product of joint efforts by intellectuals and leaders and legislators representing all ethnic groups. First and foremost, the Chinese government has to win the trust and confidence of all ethnic minorities that it has the determination and ability to find such solutions. This is a difficult and daunting task that the government of China cannot avoid.

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## TURKISH-ARMENIAN PROTOCOLS SIGNED, BUT NORMALIZATION PERSPECTIVES REMAIN UNCLEAR

*Haroutiun Khachtarian*

On October 10, Turkey and Armenia signed Protocols on establishing diplomatic relations and opening their common land border in Zurich, Switzerland. To enter into force, the Protocols must be ratified by the parliaments of both countries; however, tension around the issue has already risen. The key problems which have so far prevented normal relations between the two neighbors, the Nagorno-Karabakh conflict (which involves Armenia and Azerbaijan, while Turkey has supported Azerbaijan through closing its border

with Armenia and embargoing Armenian imports), and Armenia's campaign for gaining international recognition of the massacres of Armenians in 1915 as Genocide, surfaced even before the Protocols were signed. While the Protocols contain no direct reference to these problems, Armenia and Turkey have conflicting positions on the possible links between them and the normalization of their relations. The signature ceremony itself was on the brink of failure as the Armenian foreign minister, Edward Nalbandian, learned that his Turkish

counterpart, Ahmet Davutoglu, intended to question the Genocide issue in his speech following the signature ceremony, and to link normalization between Armenia and Turkey to the Nagorno-Karabakh conflict. The protocols were signed after a three and a half hour delay, as the top diplomats of the U.S., France, and Russia persuaded the two ministers to hold no speeches after the signature.

The Turkish government sent the protocols to the parliament for ratification on October 21. Although the ruling Party of Justice and Development holds a majority in the parliament, it is not certain that the protocols will be ratified. Some party members may well join the opposition in its criticism of the government, claiming that normalization with Armenia would harm the interests of Azerbaijan. The Turkish government calls on Armenia and the OSCE Minsk group to reach at least a minimal measure of progress to secure the Armenian-Turkish normalization.

Azerbaijan has sharply criticized the normalization process stating that opening the border between Turkey and Armenia at this stage and under current circumstances will have negative consequences not only for Azerbaijan and the settlement of the Nagorno-Karabakh conflict, but for the South Caucasus as a region. In its efforts to prevent the ratification, it exerts intense pressure on the Turkish government using not only an unprecedented political campaign, but also economic measures, such as increasing the natural gas price for Turkey and to abandon the Nabucco gas project via Turkey and to export Azerbaijani gas to Russia instead.

In contrast, the National Assembly of Armenia is not expected to have problems in ratifying the protocols, despite sharp criticism from the opposition and many organizations of the Armenian Diaspora. The position of Armenia regarding the obstacles to normalization was declared in a special statement by President Serzh Sargsyan on October 10, shortly before the signature ceremony in Zurich. The statement entitled "Address of the President of Armenia to the people of the Republic of Armenia and to all Armenians," (hinting at the large

Armenian Diaspora's importance to the government) laid out the following basic position of Armenia: first, no relations with Turkey can question the reality of the patricide and the genocide perpetrated against the Armenian nation [in 1915]. It is a known fact and it should be recognized and condemned by the whole progressive humanity. Second, the issue of the existing border between Armenia and Turkey is to be resolved through prevailing norms of international law. The Protocols do not go beyond that. Third, these relations cannot and do not relate to the resolution of the Nagorno-Karabakh conflict, which is an independent and separate process. Fourth, the Armenian side will react adequately if Turkey protracts the process of ratification or raises conditions for it. Armenia is signing these Protocols to create a basis for the establishment of normal relations between our two countries.

The Armenian parliament plans to ratify the protocols only after the Turkish ratification, fearing that the Turkish parliament may raise additional preconditions. Meanwhile, Turkish officials continue to make controversial statements, seeking to deny the opposition's concerns. Besides the efforts to link the normalization process to the Nagorno-Karabakh problem, plans have been proposed to investigate the Genocide issue through a "Joint commission of historians," including Armenian ones. Some representatives of international media have confused this Commission of historians with the intergovernmental sub-commission "on the historical dimension," stipulated by the Protocols. Although the Armenian government has repeatedly denounced such a plan (the above-mentioned statement by President Sargsyan reads: "The relevant sub-commission to be established under the intergovernmental commission is not a commission of historians"), some analysts and media outlets have claimed that Armenia has given up the goal of gaining international recognition for the 1915 massacres as Genocide for the sake of normalizing relations with Turkey. Opposition inside Armenia and its supporters in the Diaspora use such reports to

enhance their criticism against the Armenian government. The introduction of a new resolution

in the U.S. Senate on October 21 played into the hands of the Armenian position.

## KRISHNA'S VISIT TO UZBEKISTAN: THE MAKINGS OF INDIA'S CENTRAL ASIA POLICY

*Roman Muzalevsky*

The October 20-22 visit of Indian External Affairs Minister Somanahalli Krishna to Russia and the October 27 trilateral meeting of Russia, India, and China in Bangalore overshadowed the minister's meeting with his Uzbek counterpart and President Islam Karimov in Tashkent on October 22-23. The meeting was largely unnoticed, drawing only short and vague statements from the respective foreign ministries and the press. So has India's policy in Central Asia that seeks to combat terrorism and drug trafficking, secure export markets, promote energy transit and security, and become an active player in a region threatened by developments in Afghanistan and Pakistan. In this light, the intensified Indian-Central Asian relations, and particularly the Indian-Uzbek cooperation, is testimony to Delhi's long-held but still poorly enforced view of the need to become a more influential actor in Eurasian affairs.

Krishna visited Uzbekistan on October 22-23 after his three-day trip to Russia, where he discussed ways of boosting economic ties between Russia and India. Mr. Krishna met with his Uzbek counterpart Vladimir Norov and Uzbek President Islam Karimov at the Oksaroy Residence in Tashkent. The minister also paid his respects at the Lal Bahadur Shastri Memorial and visited the India Centre at the Al-Biruni Institute of Oriental Studies. The meeting appears to be part of a series of earlier high-level visits by Indian President Praibha Patil to Tajikistan and Minister Krishna to Turkmenistan in September, underscoring the growing importance of Central Asia for India's interests.

In his interview to Uzbek TV on 23 October, Krishna underlined that that the main purpose of the visit was to boost relations between India and Uzbekistan, including in the field of culture and education. This should come as no surprise given India's pre-colonial cultural influence in Central Asia and its current aspirations to reclaim its bygone cultural clout. Uzbek President Karimov, in turn, emphasized: "The relations between Uzbekistan and India are consistently developing. They are based on the historical, cultural and spiritual closeness of peoples of the two countries." The statement of the Indian Ministry of External Affairs, while not specifying the detailed nature of the meeting, stated that the two sides discussed issues of bilateral, regional and global importance.

Indian experts assert that cooperation in the energy sphere was most likely on top of the agenda. Uzbekistan possesses vast oil, gas, and uranium reserves and is interested in diversifying its export routes. India, on the other hand, seeks to meet its growing energy needs. Moreover, while Russia, China, the EU and the U.S. have actively pursued energy transit opportunities in Eurasia, India has been lagging behind and, most likely, wants to catch up. China already reaps the benefits of the construction of the Turkmenistan-Uzbekistan-China gas pipeline, while the Turkmenistan-Afghanistan-Pakistan-India gas pipeline remains on paper. The complexity of the inter-state relations, especially between India and Pakistan, seriously undermine a project that has the potential to transform Eurasia.

Trade is also high on the agenda in Uzbek-Indian relations. According to the Ministry of Foreign

Affairs of Uzbekistan, as of today the two countries have signed more than 60 agreements in various fields, including in construction, pharmaceuticals, the IT sector, the retail industry, mining and energy. Uzbekistan, with a population of about 28 million people, is a good market for India's exports. According to the Government of India, the trade turnover with Uzbekistan reached US\$56 million between 2007 and 2008, with Indian exports constituting US\$40 million. The State Statistics Committee of Uzbekistan reports that 31 enterprises with the participation of Indian investors currently operate in Uzbekistan.

The trade and energy issues between the two countries should also be viewed in the context of regional strategic cooperation and competition among various powers, including on a global scale. A statement of the Uzbek Foreign Ministry released after the meeting read "Uzbekistan and India support each other on the international arena and are developing cooperation in the framework of such regional and international organizations as the UN and the SCO." India has long looked to Central Asia for support in its aspirations to obtain permanent membership in the UN Security Council, hinder Pakistani influence in the region, and get closer to the SCO to manage China's rise, all of which is treated cautiously by China.

However, the threat of terrorism and Islamic fundamentalism, as well as the instability in Afghanistan and Pakistan, certainly provide room for strategic cooperation between India and China, something the former wants to streamline with the Central Asian SCO member states, especially with Uzbekistan, as well. The latter, in turn, is interested in a strong partnership with India to balance the interests of Russia, the U.S. and China, as well as to combat regional terrorism, fundamentalism, and narcotics trafficking.

Krishna's visit to Uzbekistan and the current India-Central Asia relations point to revitalized Indian policies in the region. Uzbekistan and India meet eye to eye on many regional issues, including energy transit and security, developments in Afghanistan and Pakistan, terrorism and extremism. Most importantly, both seem to realize that a more active engagement between the two will serve their interests of balancing foreign pressures in what was once a common space of civilization. The degree of their success will increasingly depend on the larger context of the intra-regional relations that simultaneously impede and promote India's advance into Central Asia and Uzbekistan's search for a more independent foreign policy.

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## KYRGYZ NGOS WANT MANAS TO BECOME UNESCO HERITAGE

*Erica Marat*

China recently suggested Kyrgyz oral epic Manas be included into UNESCO's World Heritage list. However, China's proposal has provoked a debate among Kyrgyz NGOs. According to Toktaiym Umetaliyeva, president of the NGO Association, it is the Kyrgyz parliament's direct responsibility to take responsibility for nominating the epic. Umetaliyeva argues that Kyrgyz authorities have

missed the opportunity to elevate the status of Kyrgyzstan's cultural heritage.

Former president Askar Akayev initiated promoting the role of the Manas epic. In 1995, Akayev held a national celebration of the 1,000th anniversary of the epic, inviting guests from across the world. The holiday emphasized the epic's exceptional length and richness. Akayev replaced the post-Soviet ideological space with ideas and images from the

epic. Numerous statues of Manas and posters depicting the hero decorate Kyrgyz cities and villages.

The former president mobilized the academic community to distill the ten maxims from its script as guidelines for the Kyrgyz nation. The maxims promoted patriotism, national unity, and good personal behavior. Although the maxims were unsuccessful in educating the people about their importance, the eminent place of the epic in the public space is undeniable. For Akayev, Manas symbolized both a call for national unity and an example of tolerance for other peoples.

Unlike Akayev, however, incumbent president Kurmanbek Bakiyev disregarded the centrality of imposed images such as Manas in his politics. While the leader did not intentionally seek to decrease Manas' public exposure, the initiative was taken over by non-state activists. Schools still teach the importance of Manas in national cultural life, while experts refer to the epic's heritage as centrally important in Kyrgyz identity. In a way, Akayev's depiction of Manas continued to live in the public space even though political regimes changed.

The recent call from Kyrgyz NGOs for bringing back the Manas legacy reflects both the popularity of Akayev's project and the implications of Bakiyev's passive stance on national ideology. The shortage of government-produced images and ideology created a space for various actors to discuss what these projects should be, how they should be constructed and whether Kyrgyzstan needs them. In the first two years of the Bakiyev regime, government employees and civil society activists tried to stage common forums on how ideological thinking should continue in the country. Former State Secretary Adakhan Madumarov came up with his own project, which lacked state funding and was doomed to remain unfulfilled.

Although Umetaliyeva's statement is far from a call for re-apprising the Manas epic on a national level, but rather a criticism of Kyrgyz politicians' lack of initiative since the issue is instead promoted by China, it still raises questions regarding the epic's importance several years after Akayev's leadership came to an end. If the parliament indeed contests China's nomination and approaches UNESCO independently, the epic might play a more important role in the politics as well as the cultural life of Kyrgyzstan.

China's claim that the epic has roots in its Western parts raised eyebrows among Kyrgyz activists. The proposal emanated mostly from the ethnic Kyrgyz population in China, while Beijing might see it as part of its domestic and foreign policy in the troubled region. The epic's story develops across what is today considered to be Central Asia and Western China. However, for many Kyrgyz, the story is centered within the present borders of Kyrgyzstan.

This year, the Suleiman Mountain in Osh was included in the UNESCO list. Kyrgyz NGO activists have been lobbying for the inclusion of the site for several years, but have met resistance from local entrepreneurs who wished to use the site for business ventures. For Kyrgyz activists, the recognition of the site represented a modest victory over other competing forces. Their activism was particularly noticeable since the government has been suppressing the work of local NGOs by adopting tougher legislation. Should the NGOs' recent announcement to promote Manas be taken into account by the government, this could imply a more forthcoming role for civil society activism in the country's cultural life. By contrast, should Bakiyev fail to take over the initiative on promoting Manas on the world stage, he is likely to be remembered as a president who failed to protect the nation's greatest cultural heritage. Of all Bakiyev's flaws – from corruption to authoritarianism – Manas might yet prove equally prominent.

## NEWS DIGEST

### UZBEKS TO STAY MEMBER OF CENTRAL ASIAN POWER GRID

**14 October**

Uzbekistan intends to remain a member of the Central Asian integrated energy system. Asia-Plus informationnoe agentsvto reported Tuesday that a source at the Ozbekenergo (Uzbek energy) state joint stock company speaking off the record said that the corporation had notified the relevant authorities in both Kazakhstan and Kyrgyzstan of its intention to discuss revising the terms for its provision of transmitting electricity to Kyrgyzstan through Uzbek territory. Speaking on condition of anonymity the Ozbekenergo source said, "We want to introduce payments for electricity transmission to Kyrgyzstan which earlier flowed free of charge." Ozbekenergo's comments follow earlier reports that Uzbekistan allegedly was considering withdrawing from Central Asia's integrated electrical grid. Such an action would have deprived Tajikistan of an opportunity to receive Turkmen electricity, as the transmission lines transit Uzbek territory. For the last several years Uzbekistan and Kyrgyzstan have clashed over the issue of Kyrgyz hydroelectric facilities autumnal and winter water discharges disrupting the agriculture of downstream states Uzbekistan, Kazakhstan and Turkmenistan. (UPI)

### AFGHANISTAN, PAKISTAN SEEK CHINA'S HELP

**16 October**

Afghanistan and Pakistan want China and the Shanghai Cooperation Organization to support them in their anti-terrorism efforts, two leaders said. The appeal came from Afghan Second Vice President Mohammad Karim Khalili and Pakistani Prime Minister Syed Yousuf Raza Gilani during interviews with China Daily. The report said the two leaders suggested China and the SCO can help in such areas as capacity building, reconstruction, poverty relief and intelligence exchange. Khalili and Gilani were in Beijing as observers to attend a meeting of the leaders of the SCO, whose members

are China, Russia, Tajikistan, Kyrgyzstan, Kazakhstan and Uzbekistan. "The western countries are working to train the security forces in Afghanistan and help the Afghans have the ability to help themselves. The SCO can play a role in building capacities" in training national police and national security forces, Khalili told China Daily. He said poverty is the "root cause of rampant terrorism" in Afghanistan. Gilani called for more help in intelligence work, the report said. "One thing I will show you (that) we have the ability, we have the will to fight against terrorism," Gilani said. "The SCO can play an extremely important role in combating terrorism and extremism," Gilani said. Chinese experts said China should have a comprehensive plan to help neighboring countries in fighting terror. They said China should keep away from military engagement, because dispatching more troops will not resolve the problem, the report said. (UPI)

### GAZPROM INKS CONTRACT WITH SOCAR

**16 October**

Russian energy giant Gazprom signed a purchase and sale contract for more than 1.7 billion cubic feet of gas from the State Oil Co. of Azerbaijan Republic. Alexei Miller, chairman of the Russian gas monopoly, led a delegation to Baku to sign a natural gas purchase and sale contract with SOCAR. "Our partnership is logically consistent and fully meets our mutual interests," said Miller. "I am confident that in the coming years the volume of Azerbaijani gas supplied to Russia will increase and today's contract will lay the foundation for the long-term strategic cooperation in the oil and gas sector between Gazprom and SOCAR." The initial volume of gas delivered to Gazprom is for 1.76 billion cubic feet of natural gas per year with increases dependent on Azerbaijan's export potential, Gazprom said. The contract puts no limit on purchase volumes. Exports begin in January. Azerbaijan holds as much as 45.9 trillion feet of recoverable gas reserves. Gazprom and SOCAR

signed a series of preliminary agreements on natural gas earlier this year. (UPI)

### **RUSSIA JAILS SOLDIER FOR SPYING FOR GEORGIA**

**17 October**

A Russian military court found a serviceman of the Russian armed forces, Jemal Nakaidze, guilty of spying in favor of Georgia and sentenced him to nine years in prison, RIA Novosti news agency reported on October 16. According to the same report, the North Caucasus District Military Court found that Nakaidze was recruited by the Georgian side in February, 2008 and was gathering and passing sensitive information to the Georgian special services till November, 2008, in exchange of financial award; he was also promised to receive a house in Georgia's black sea town of Batumi. In August the same military court found a former deputy commander of one of the Russia's military units of North Caucasus Military District, Lt.-Col Mikhail Khachidze, guilty of spying in favor of Georgia and sentenced him to six years in prison. (Civil Georgia)

### **KAZAKHSTAN READY FOR BTC**

**19 October**

Kazakhstan positioned itself as a potential supplier to the Baku-Tbilisi-Ceyhan oil pipeline ahead of a meeting in Ankara with Turkish officials. Kazakh President Nursultan Nazarbayev hailed the bilateral ties between his country and Turkey, saying he would like to expand cooperation in the energy sector, Turkish daily Today's Zaman reports. "In the near future, we want to lend support to the Baku-Tbilisi-Ceyhan pipeline," he said. A conflict between Russia and Georgia over the breakaway republics of South Ossetia and Abkhazia in August 2008 complicated transits through BTC. The current capacity is 1 million bpd. Observers point to Kazakh oil as a vital resource for the viability of BTC. Nazarbayev said his country would start production at its massive Kashagan field in 2013. "That's why we need new corridors and new routes," he said. He pointed to a recent deal with French companies to build a \$2 billion oil pipeline to link his country to the Caspian Sea. Development is expected on that project in 2012, though Nazarbayev said it was an "extremely important" project to transport Kazakh oil to European markets. Nazarbayev is expected in Ankara later this week. (UPI)

### **AUGUST WAR FILM AND ANDY GARCIA AS SAAKASHVILI**

**19 October**

Sets are being built outside the Parliament preparing ground for a scene that will revive August 12, 2008 rally when tens of thousands of Georgian gathered to show unity amid war with Russia. The filming of the scene will be part of yet untitled movie about the last year's August war, directed by Renny Harlin, best known for his Hollywood big-budget action movies such as Die Hard 2 and Cliffhanger. Andy Garcia, who took on the role of President Saakashvili, started shooting in the Georgian president's palace on October 19; before arriving in Tbilisi, he met with Saakashvili in Batumi. The scene in the presidential palace in Tbilisi involves the Georgian President discussing tactics with his aides amid Russian invasion, according to the Georgian co-producers. One of the co-producer is a ruling party lawmaker, Papuna (Mirza) Davitaia. Another scene, in which Garcia will be shot, according to Georgian co-producers of the film, will be outside the Parliament on October 20 to depict the rally, which was also attended last August by leaders from the Baltic States and also by the President of Poland. The main plot of the film follows an American journalist – played by British actor Rupert Friend, and his cameraman who get caught in the midst of the August war. Some battle scenes were shot in Tsalka, south of Georgia and also in Gori, the town, which along with Tskhinvali suffered most from the August war. (Civil Georgia)

### **FOUR ARMED MEN ARRESTED IN TAJIK ENCLAVE IN KYRGYZSTAN**

**20 October**

Tajik police have arrested four armed men in the Tajik enclave of Vorukh in Kyrgyzstan's Batken Province, RFE/RL's Tajik Service reports. The police believe the men, who were detained on October 19, were part of the armed group that crossed from Tajikistan's Isfara district into Kyrgyz territory after a shoot-out at the Koktosh border crossing last week. Kyrgyz border guards have surrounded the enclave, while Tajik police forces search for the armed group. In a separate police operation in Isfara on October 17, four suspected followers of the banned Islamic Movement of Uzbekistan (IMU) were killed and another was arrested. It remains unclear if the armed men arrested in Vorukh were connected to the IMU. (RFE/RL)



## **BAKU EYES IRANIAN, RUSSIAN GAS MARKETS**

**20 October**

Azerbaijan is ready to sell its gas to Iran and Russia amid lingering disputes over the sale price for its natural gas to Turkey, said Azeri executives.

Rovnag Abdullayev, president of the State Oil Co. of the Azerbaijan Republic, said his country had the technology in place to export natural gas to Iranian customers, the Azeri Press Agency reports.

"Currently, the pipeline between Iran and Azerbaijan is being repaired," he said. "Compressors are being upgraded to allow as much as possible gas exports to Iran." He did not indicate the price Azerbaijan would charge Iran for natural gas.

Abdullayev indicated gas exports to Russia could reach 247 billion cubic feet of natural gas each year with the reconstruction of gas infrastructure. His comments come as Turkey and Azerbaijan wrangle over gas prices. Azerbaijan currently charges Turkey about 30 percent of the market price for natural gas, and Abdullayev said he was waiting for Ankara to respond. (UPI)

## **TURKEY OFFICIALLY PROTESTS REMOVAL OF ITS FLAG IN BAKU**

**21 October**

Turkey has officially protested the removal of its national flag from a building in the Azerbaijani capital that belongs to the Turkish Embassy in Baku, RFE/RL's Azerbaijani Service reports. Azerbaijani Foreign Ministry spokesman Elkhon Polukhov told journalists that the ministry received an official note from the Turkish officials and is investigating the incident. Muzaffar Shahin of the Turkish Embassy told RFE/RL that several men in civilian clothes removed the flag on October 21 from the building housing Turkish Embassy's Office for Religious Affairs without explanation. On October 17, Azerbaijani authorities removed Turkey's national flag from Baku's Alley of Martyrs shortly after the Azerbaijani flag was not allowed at the historic Armenian-Turkish soccer match in the Turkish city of Bursa that was attended by Armenian and Turkish leaders. Relations between Azerbaijan and Turkey have grown tense since Armenian-Turkish fence-mending protocols were signed in Zurich on October 10. (RFE/RL)

## **AZERBAIJAN THREATENS TURKEY OVER ARMENIA AGREEMENT**

**21 October**

Frustrated by Turkey's historic normalization of relations with Armenia earlier this month, Azerbaijani President Ilham Aliyev has threatened to stop selling Turkey natural gas at low prices and announced that Baku will look for routes around Turkey to ship gas to Europe, RFE/RL's Armenian Service reported. Days later, Turkish Foreign Minister Ahmet Davutoglu told reporters that "Azeri soil is as sacred for us as our own" and "liberating this soil from occupation" -- referring to the disputed Nagorno-Karabakh territory -- "is one of our primary national issues." "Even if the skies fall down, Turkey's position will not change," Davutoglu told reporters. "The fact that a country is occupying the territory of another country is unacceptable." His statements came amid reports in Baku that Turkish flags had been removed from the graves of Turkish soldiers who fought for Azerbaijan in the early 20th century. (RFE/RL)

## **U.S. LAUDS KURDISH RECONCILIATION WITH TURKEY**

**21 October**

Washington supports efforts by the Turkish government to reconcile its differences with the Kurdish minority, U.S. State Department officials said. Abdullah Ocalan, the imprisoned leader of the Kurdistan Workers' Party, or PKK, called on members of his blacklisted organization to form "peace groups" in an effort to resolve the so-called Kurdish question. Ankara is pushing forward with its own plans to find a political solution to its decades-old conflict with Kurdish minorities and the PKK separatist group. As many as 34 PKK members from the Makhmur refugee camp in northern Iraq turned themselves over of their own free will this week. Ian Kelly, a spokesman for the U.S. State Department, said that while Washington considers the PKK to be a terrorist organization for its militant activity in the region, the reconciliation effort was a welcome move. "We support the efforts of our Turkish allies to deal with the problem of the PKK," he said. He went on to call on Ankara to offer cultural and language rights to the Kurdish minority as part of a broader reconciliation effort. The U.S. Department of Treasury's Office of Foreign Assets Control last week froze the assets of three leaders of the PKK identified as "significant foreign narcotics traffickers." (UPI)

## **ARMENIA SEPARATES TURKISH RAPPROCHEMENT FROM KARABAKH ISSUE**

**22 October**

Armenian Deputy Foreign Minister Arman Kirakosian says Turkish-Armenian rapprochement protocols have nothing to do with the issue of Nagorno-Karabakh, RFE/RL's Azerbaijani Service reports. Speaking to journalists in Baku, Kirakosian said the Karabakh issue concerns only Azerbaijan and Armenia. He said the Turkish-Armenian protocols have been signed without any preconditions and that, in general, the Karabakh issue is nearing resolution as the Azerbaijani and Armenian presidents have met seven times to discuss the issue in the last six months. Kirakosian is in Baku to participate in the Black Sea Cooperation Organization's session. (RFE/RL)

## **OFFICIAL: AFGHAN DRUGS THREATEN RUSSIA**

**23 October**

About 90 percent of the heroin imported to Russia comes from Afghanistan via Tajikistan and Uzbekistan, a Russian drug-control official said Friday. Viktor Ivanov, head of the Federal Drugs Control Service, said Russia then serves as a conduit to the rest of Europe, the Novosti news agency reported. Ivanov, speaking at a meeting of the General Staff Academy, argued the warlords in northern Afghanistan who provide a "bridgehead" for drug trafficking are a greater threat than the Taliban. "The coalition forces are not conducting an effective fight against them," he said. The Afghan region near the borders with the central Asian countries has modern drug-processing labs, Ivanov said. He said the United States has made a "mistake" with its continued support of the Northern Alliance. (UPI)

## **SAAKASHVILI: TURNING POINT FOR GEORGIA'S ECONOMY**

**25 October**

Despite war, still ongoing global economy crisis and deepening of unemployment problem in recent months, now it is "a turning point" for Georgia's economy, President Saakashvili said on October 24. He was speaking in an outdoor ceremony of opening a new terminal in port of Poti. In his speech Saakashvili spoke much about Georgia's importance as a transit route. Standing in front of a large-scale map of Eurasian continent he was explaining importance of Georgia's geographical

location. "Georgia is the only route to Europe for six landlocked states in Central and Caspian region and the shortest route from north China to most of the European destination," Saakashvili said. "One can not bypass Georgia. Cargo should either go via Russia, but this route is risky, full of corruption and full of political risks; or the second option is a direct route via Georgia. And if someone wants to know why this port was bombed last year and if someone wants to know why [Russia] troops are stationed here [referring to breakaway Abkhazia and South Ossetia], one should look at this [map]," he said. He also said in his speech that Georgia "should not be an ordinary eastern European country." "We do not have time and luxury to simply follow this ordinary route," Saakashvili said. "Georgia has more than those countries [in Eastern Europe]. We have very wealthy neighbors – they have gas, oil... But we have what other countries of the region do not have – we have lowest taxes." (Civil Georgia)

## **KARZAI RIVAL SETS ULTIMATUM AHEAD OF AFGHAN RUNOFF**

**26 October**

President Hamid Karzai's rival in a November 7 runoff presidential vote has demanded that Afghanistan's chief election official be sacked, laying out a ultimatum that could complicate the pre-election process. The events come in a politically charged period as Afghanistan braces for the runoff after the first-round election in August was marred by allegations of widespread fraud. The poll, pitting Karzai against ex-Foreign Minister Abdullah Abdullah, is crucial to Western efforts to stabilize Afghanistan at a time when the insurgency is at its strongest since U.S.-led forces ousted the Taliban from power in 2001. In a move that could fuel tensions further, Abdullah demanded Afghanistan's top election official Azizullah Ludin be sacked and the interior, education, and tribal affairs ministers suspended during the election period. "We will wait for the commission's reply until October 31 and until then we suspend all of our relations with the commission," he told reporters in the garden of his house in Kabul. He refused to say what he would do if these condition were not met. Ludin said he will not stand down. "No, why should I resign?" Ludin told Reuters in response to Abdullah's demand. "I don't know if the constitution gives [Abdullah] authority to ask of such a thing." Concerns about a repeat of the fraud that tainted the first round have cast a shadow over election preparations. More than 200 election

officials are being sacked or replaced to prevent a repeat of fraud and many suspect polling stations will be closed. Ali Daoud Najafi, Ludin's deputy, could not immediately say if there was any suggestion that the election chief might be removed but shrugged off Abdullah's statement. "It has no affect on us at all," he told Reuters. (Reuters)

### **GAZPROM WELCOMES PROSPECT OF RESUMING GAS PURCHASES FROM TURKMENISTAN**

**26 October**

Gazprom welcomes the prospect for a resumption of natural gas imports from Turkmenistan, Deputy CEO Alexander Medvedev said on Monday at the Fourth International Energy Week event. "We are conducting productive talks with our partners from Turkmenistan and welcome the prospect of resumed gas exports to Russia in the near future," he said. An explosion on the Central Asia-Center pipeline in Turkmenistan halted gas supplies to Russia in April. Turkmenistan blamed the blast on Russia, claiming it had not notified Turkmen pipeline personnel that it would dramatically reduce the amount of gas it took from the pipeline, creating an overpressure on the Turkmen side. The pipeline was later repaired, but gas exports have not resumed. The price Russia paid for Turkmen gas had risen to European levels effective from the beginning of the year. However, Gazprom officials said there was little demand for the higher priced Turkmen gas, prompting Gazprom to propose that Ashgabat either lower the price of delivery volumes. Russian President Dmitry Medvedev's visit to Turkmenistan in September produced a political agreement to resume the gas deliveries and Gazprom is currently translating that agreement into a commercial contract. (Interfax)

### **KAZAKHSTAN TO PROMOTE OSCE COMMON VISION OF SECURITY ISSUES**

**26 October**

Kazakhstan plans to promote a common security vision in its chairmanship of the Organization for Security and Cooperation in Europe (OSCE) in 2010, Kazakh Deputy Defense Minister Lt. Gen. Bulat Sembinov told a Monday press briefing. The briefing was dedicated to a visit of foreign military observers to Kazakh military sites. "It is no secret that OSCE member countries have certain disagreements about security issues, so our

chairmanship will target for the rapprochement of positions on many items of the organization's agenda. Such positions have been invariable for many years," he said. "The profound political changes of recent years show that there is no European or Asian security. Instability in a particular country or a region endangers the security for the whole of Eurasia, and security is the key activity of the OSCE," he said. The Kazakh chairmanship "is bound to enhance the Asian agenda of the OSCE and to increase the organization's activity in the dialog between the West and the East," he said. "My country wishes to strengthen arms control, solve the problem of small firearms and the stock of conventional armaments. We have ensured over 50 inspections on the national territory within the framework of the Vienna document," he said. Forty-five military observers from 25 OSCE member states will visit an airbase and a paratrooper brigade stationed in the Almaty region in southeastern Kazakhstan on October 26-30 in the course of Kazakhstan's preparations for chairing the OSCE and in fulfillment of the Vienna document on confidence building measures and security adopted in 1999. Kazakh representatives took part in similar inspections in Austria, Norway, the Czech Republic and Germany this year. (Interfax-AVN)

### **EU SCRAPS ARMS EMBARGO AGAINST UZBEKISTAN, LAST SANCTION IMPOSED AFTER 2005 CRACKDOWN**

**27 October**

The European Union on Tuesday dropped the last remaining sanctions against Uzbekistan imposed after a 2005 crackdown on an uprising. EU foreign ministers said they ended the arms embargo against the Uzbek government to encourage it to further improve the human rights situation and the rule of law in the country. The phasing-out of sanctions came after the ex-Soviet Central Asian nation helped support U.S.-led military operations in neighboring Afghanistan, leading to better ties with the West. The sanctions were imposed after government troops opened fire on a crowd of mostly peaceful protesters in Andijan, a city in the east of the country, four years ago, killing at least 700 people, according to rights groups and witnesses. The government insisted 187 died and blamed Islamic militants for instigating the violence. Despite the normalization of relations, EU ministers said in a statement they remain "seriously concerned about the human rights situation." The

EU did acknowledge that Uzbekistan has made some tentative commitments to address human rights issues. Amnesty International said that four human rights activists have recently been convicted while 10 more are already serving long prison sentences. Dozens more are being persecuted, it said. The human rights group said authorities continue to deny full access to U.N. monitors. President Islam Karimov has ruled resource-rich Uzbekistan with an iron fist since before the 1991 Soviet collapse. He fell out of favor with the United States and other Western countries after the government's violent suppression of an uprising in the city of Andijan in 2005. Karimov has recently sought to mend ties with the West, and the fighting in Afghanistan offered an opportunity because NATO allies have been seeking safer transit routes. (AP)

#### **TURKISH PARLIAMENTARY DELEGATION ARRIVES IN BAKU**

**27 October**

A Turkish parliamentary delegation has arrived in the Azerbaijani capital, Baku, for a visit aimed at easing tensions over Turkey's rapprochement with Armenia, RFE/RL's Azerbaijani Service reports. The Turkish Embassy in Baku told RFE/RL that the delegation consists of 10 members of Turkey's Grand National Assembly and will hold talks with several key Azerbaijani officials, including President Ilham Aliyev and parliament speaker Oktay Asadov. The Turkish lawmakers will also take part on October 29 in a special event in Baku's Gulistan Palace devoted to Turkish independence day, which was established on October 29, 1923. Turkish-Azerbaijani relations became tense after Turkish-Armenian protocols that could lead to improved relations were signed in Zurich on October 10. Aliyev made very critical comments about Turkey during a cabinet session on October 16. (RFE/RL)

#### **UN STAFF, OTHERS KILLED IN KABUL**

**28 October**

Twelve people, including six foreign UN workers, were killed in Kabul when armed men stormed a guest house compound used by UN staff early on October 28. The dawn attack has raised questions and fresh concerns about security for a presidential election run-off due in 10 days. The UN said nine of its staff were injured in the attack, claimed by the Taliban who said it was the "first step" to disrupt the November 7 presidential runoff. The

nationalities of the dead are not known, but officials said one U.S. citizen was among the casualties. Afghan police said the three attackers, two Afghan security personnel, and an Afghan civilian were also killed. Aleem Siddique, a UN spokesman in Afghanistan, described the attack as a well-coordinated assault by gunmen on a compound that was separate from any military base. "Three armed attackers, including at least one suicide bomber, attacked a private guest house here in Kabul which is approved for use by United Nations personnel," Siddique said. "The gunmen entered the guest house and fighting ensued." The attackers reportedly wore police uniforms to secure entry into the guest house. Correspondents report seeing at least one badly burned body being carried out of the building after the shooting stopped. Officials said one female guest was missing inside the building, which was covered by bullet holes and badly damaged -- its walls charred and windows shattered. Interior Ministry spokesman Zamarai Beshari told RFE/RL's Radio Free Afghan that the area where the attack took place was considered relatively safe, and that there were not many security forces in the neighborhood. "We have already started our investigations and other immediate details related to this case will be disclosed soon," Beshari said. Later, the bodies of three of the suspected suicide bombers, apparently ripped apart when they detonated their explosives, could be seen lying inside the compound. Abdul Ghaim, a policeman at the scene, told Reuters: "We think [the militants] are Pakistani." (RFE/RL)

#### **UZBEKISTAN REDUCES COTTON FIBER PRODUCTION 14.5% IN JAN-SEPT**

**28 October**

Uzbekistan reduced cotton fiber production 14.5% to 696,623 tonnes in January-September 2009 compared to the same period of 2008, the State Statistics Department said in a statement. Production of cotton yarn at textile companies fell 9.4% to 103,671 tonnes in January-September, while cotton fabric production declined 23.5% to 60.063 million square meters. Uzbekistan increased cotton fiber production 4.4% to 1.174 million tonnes in 2008. Uzbekistan is the sixth largest cotton producer and the third largest exporter in the world. The republic annually produces about 3.5 million tonnes of raw cotton and 1 million-1.2 million tonnes of cotton fiber, exporting roughly 75% of that amount. (Interfax)

## KAZAKHSTAN SEEKS ARREST OF ALLIANCE SHAREHOLDERS

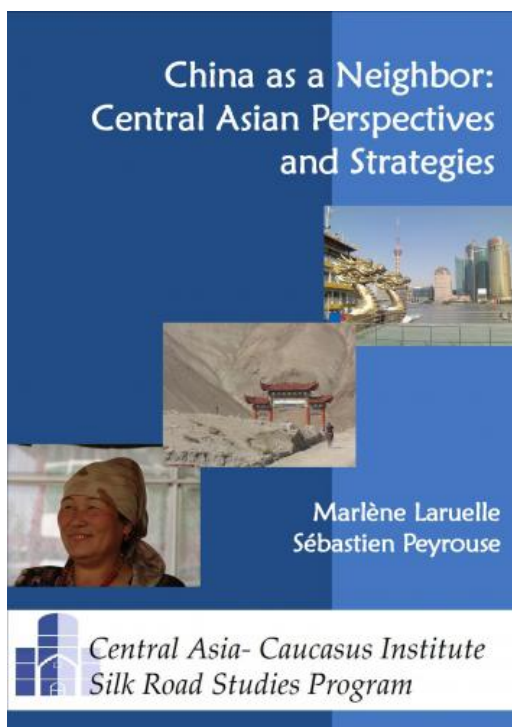
28 October

Kazakhstan has accused the key shareholders of local lender Alliance of stealing \$112 million from the bank which is in talks to restructure its \$4.2 billion debt, Kazakh financial police said on Wednesday. Margulan Seisembayev and Yerlan Seisembayev, who own a majority stake in Alliance through a holding company, have been charged in absentia, it said. "A court has sanctioned their arrest and an international warrant has been issued," financial police spokesman Marat Zhumanbai told a briefing. None of the accused could be reached for comments. Earlier this year, the financial police arrested Zhomart Yertayev, the former chief executive of Alliance, charging him with a \$1.1 billion theft. Yertayev has denied any wrongdoing. Seisembayevs' company offered to hand most of its stake in Alliance to the government for free in February, saying it could no longer support the bank. Their holdings in the bank are due to be diluted into a minority stake as part of Alliance's planned debt restructuring deal. State welfare fund Samruk-Kazyna will then own a majority stake. (Reuters)

## TBILISI DEMANDS RELEASE OF 16 GEORGIANS

28 October

The Georgian side demanded from Russia to "immediately" release those 16 Georgian citizens, who were detained by the Russian Federal Security Service's border guards on October 25 for "violation of the South Ossetian border." The Georgian Foreign Ministry passed a protest note to the Russian Foreign Ministry through the Swiss embassy. Switzerland represents Russia's diplomatic interests in Georgia and Georgia's interests in Russia after the two countries cut diplomatic ties after the August war. "The detainees are still kept illegally in custody at the so-called prosecutor's office of the occupied district of Akhalkgori," the note reads. "The Georgian side assesses the aforesaid fact as yet another crime committed by the occupation forces and a provocation carried out by Russia on the sovereign territory of Georgia." "The Ministry of Foreign Affairs of Georgia expresses its strong protest over the aforesaid actions of the Russian side and categorically demands the immediate release of the detained citizens of Georgia," the Georgian Foreign Ministry said on October 28. In a statement issued on October 26 EU Monitoring Mission in Georgia (EUMM) said it was concerned with the arrest of sixteen Georgian citizens by Russian border guards in the vicinity of the South Ossetian administrative border. (Civil Georgia)



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