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THE CENTRAL ASIA-CAUCASSIANALYST

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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.

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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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IRAN, A NUCLEAR TREATY, AND ITS NEIGHBORS

Stephen Blank

The 5+1 negotiations with Iran over its nuclear program reached a framework agreement in April 2014. In the U.S., there has been enormous controversy over the alleged outlines of a draft treaty that Iran must either accept or reject by June 2015. If Iran rejects the terms offered in the eventual treaty, the negotiation process is likely to break down. The controversy in the U.S. relates to Iran’s threats against Israel and to a lesser degree its neighbors in the Persian Gulf. But throughout this crisis, much less attention has been devoted to Iran’s relationships with its South Caucasian and Central Asian neighbors.

BACKGROUND: These relationships are by no means merely secondary or academic questions even if the Middle East is a more critical strategic venue than the South Caucasus and/or Central Asia. For example, reports are emanating of Moscow’s desire to propose Iran as a member in the expanding Shanghai Cooperation Organization (SCO) if it accepts the treaty and to sell it advanced conventional weapons technology for air defenses, obviously against Israel and the U.S., as well as nuclear reactor technology. Iranian acquisition of these technologies and SCO membership status would dramatically change its status and capabilities vis-a-vis both the South Caucasus and Central Asia, and would enhance its nuclear capabilities whether or not it plans at present to break out of an agreement. Until now, existing SCO members have been reluctant to invite Iran as a full member to avoid obligations to potentially defend Iran, especially a nuclear Iran, against Western threats. Moreover, all SCO members are aware of Iran’s formidable assets that can potentially be deployed for purposes of insurgency and Jihad in their countries. While they may welcome opportunities to trade with Iran, especially in energy, they certainly do not wish to take on Iran’s “baggage.”

For Azerbaijan in particular, the possibility of Iran joining the SCO with what is widely believed to be a ten year clear road to acquiring a nuclear weapon as sanctions are lifted, is a very complicated problem. Baku has never sought to provoke Tehran, but has been the victim of Iranian threats against energy exploration in the Caspian, Iran’s refusal to demarcate the Caspian Sea along with the littoral states, and terrorist plots aimed at Azerbaijani citizens, the government, and even Israeli diplomats there. Iranian provocations reached their height in 2012-13, when four terrorist plots were exposed. These exposures, plus the pressure of foreign sanctions and the inauguration of the Rouhani government, which has a very different approach, have all led to a détente or rapprochement between Iran and Azerbaijan since 2013.
Despite the rapprochement, including ministerial and even head of state visits, and improved economic contacts, Azerbaijan's government remains extremely watchful and wary of Iran. For all its seeming moderation and the fact that it has stepped back from active incitement of insurgency and regime change, Iran continues to mount vicious propaganda against Baku. Iranian media recently broadcast a scurrilous attack on Azerbaijan's Ambassador to the U.S. Elin Suleymanov, also including the usual anti-Semitic ravings associated with Iran. Such episodes suggest that Iran's moderation might be superficial.

(Source: Deviantart.com)

**IMPLICATIONS:** The question of Iran gradually freeing itself of the encumbrance of sanctions, enjoying growing Russian (and Chinese) support, and becoming both economically and militarily stronger, presents a major quandary for Azerbaijan. Will Iran support demarcation of the Caspian Sea, allowing for systematic exploitation of Caspian energy resources by all of its littoral members or will it continue to obstruct and even threaten Azerbaijani and other projects there? Will Iran resume a vigorous program of clandestine gun-running and incitement to Jihadis against Baku's domestic policies, which Iranian leaders believe are anti-Islamic? Will Iran support Armenia against Azerbaijan even more strongly than has hitherto been the case as regards the unresolved conflict in Nagorno-Karabakh? Nobody can know the answer to these questions and because Iran's past track record is so negative, there is undoubtedly considerable apprehension in Baku and other capitals concerning Iran's future trajectory.

Azerbaijan is not the only interested party here. In its campaign to reduce tensions around Iran's periphery, the Rouhani government has stepped up ties with Turkmenistan and needs Turkmen gas to straighten out its own tangled energy affairs. But if that need diminishes, will it still need Turkmenistan and will Ashgabat be able to forge a workable relationship with a reinvigorated Iran? Will Tehran block Turkmenistan's efforts to exploit the Caspian Sea and forge the decisive link with Azerbaijan in the Southern gas corridor to Europe? Again, these are unanswered and potentially troubling questions.

The West's relative silence about the potential impact of an agreement with Iran on these agendas suggests a continuing failure to assign issues in the Caucasus and Central Asia their proper weight or take sufficient interest in regional trends. The issue of the southern gas corridor is certainly a vital one for Europe if it hopes to escape excessive dependence upon Russian gas exports in the future. The issue of the Southern gas corridor and the related
issue of Caspian demarcation are shaping up as major economic-political backgrounds between Russia and West. The role of Iran in this drama will be of considerable importance.

On the one hand, an Iran at terms with the West might become available not only for investment in energy infrastructure but also for inclusion in the so called Southern Gas Corridor, using pipelines either through the Caspian or directly through Turkey. Alternatively, to the extent that Iran feels dependent on Russia, it may choose not to allow exploitation of the Caspian in the form of an underwater pipeline from Turkmenistan to Azerbaijan and then on to Europe. And if Iran retains its commitment to the dissemination of a Shiite Jihadi struggle throughout the Middle East and countries like Azerbaijan; will it then consider prioritizing its foreign economic policy to benefit the West? There has been little or no discussion publicly of these momentous issues. Instead, there is a fog of polemics in Washington over partisan political warfare between Congress and President Obama and around the issue of Israel. Despite the importance of Iran’s posture towards Israel and its neighbors in the Gulf, those are clearly not the only issues on the table.

The West appears to be dithering in its typical fashion and losing sight of other important issues pertaining to the future role of Iran in the Caucasus and Central Asia. Meanwhile, we can be sure that these issues are not forgotten by officials in these states, Iran, its neighbors, and Russia. To raise their importance as they might appear after an agreement with Iran is not to argue one way or another for the terms of the pending agreement as we now know them. Rather, it is to emphasize the task of thinking hard about what the West wants in these areas whose future development is intricately bound up with the West’s own economic-political future and with developments in key countries like Turkey and Russia.

The energy issues alone are of vital importance to the West but they are by no means the only ones of importance. How do we restrain or stop Iran from continuing to incite terrorism and Jihad among its neighbors? Can we find a way to resolve the Nagorno-Karabakh conflict before Iran might decide to intervene again, potentially in a decisive way, on behalf of either Armenia or, less conceivably, Azerbaijan? Can we prevent a Russian or Sino-Russian entente with Iran against the West, a formation that would have profound repercussions throughout the entire Post-Soviet space? And how do we ensure that Iran does not again become a major military threat to all of its neighbors?

**CONCLUSIONS:** By every account, Iran seems to aspire to play the role of the leading power, i.e. the hegemon in its neighborhood. The question is whether that role is compatible with Western interests not only in the Middle East but also in Central Asia and the South Caucasus. It is a mark of the failure of Western statecraft with regard to both Russia and Iran, as well as to those two regions, that so little thought is being devoted to the analysis
and consideration of these issues on the eve of what will be a momentous new stage in Iran’s ties with its neighbors. The issue is not whether we are for or against the treaty, but whether or not we will grasp that the developments that will begin to ensue after an agreement with Iran will not only be of immense importance for the Middle East but for the entire Central Asia and South Caucasus regions and beyond – as the energy issue shows – for the West as a whole.

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THE PROSPECTS OF IS IN AFGHANISTAN
Sudha Ramachandran

The reported eastward expansion of the Islamic State (IS) into South Asia has set alarm bells ringing as it is expected to inflame the already volatile situation in Afghanistan and Pakistan. There are serious differences between the IS and the Taliban and the latter will put up a strong challenge to the growth of IS in Afghanistan. A sharp increase in violence in the strife-torn country can be expected as the Taliban and the IS battle for Afghan hearts, minds and territory. Importantly, the entry of IS into Afghanistan will impact the peace process.

BACKGROUND: Since September last year, Afghan and international media have been reporting about black flag-carrying Islamic State (IS) fighters in Afghanistan’s southern provinces and the defection of Taliban fighters to IS. A propaganda video released in early January, for instance, showed Tehreek-e-Taliban Pakistan (TTP) and Afghan Taliban fighters pledging loyalty to IS Chief Abu Bakr al-Baghdadi. A few days later, IS formally proclaimed its arrival in the region. Its spokesman Abu Muhammad al-Adnani announced a shura (governing council) for its “Khorasan Province,” an old name for what is today Afghanistan and parts of Pakistan, and declared TTP commander Hafez Saeed Khan and former Guantanamo Bay detainee and senior Afghan Taliban leader Mullah Abdul Rauf Khadim as the Khorasan Province’s “governor” and “deputy governor,” respectively. However, within days of this announcement, the ambitions of IS in Afghanistan suffered a setback with Khadim being killed in a drone strike in Helmand. He was IS’ chief recruiter in Afghanistan.

Opinions are divided over the magnitude of the IS presence in Afghanistan. While some insist that IS activity here is at a “nascent” stage only, others claim it has made “deadly inroads” into this war-ravaged country with around 10,000 fighters reportedly joining its training camps there. Recently, a top U.N. official in Afghanistan, Nicholas Haysom, said IS had put down “firm roots” in the country.

IS’ entry into Afghanistan has prompted comparisons with the Taliban. Both are Sunni insurgent groups with an obscurantist outlook and use barbaric methods, including beheading against their enemies. Both maintain armies, have governance structures and focus on holding territory. Sharp differences separate them, however. IS is a Salafi group, with a global jihadi agenda, whose thought “Caliphate” includes Muslim countries as well as countries in Europe that were once under Muslim rule. Its members are well-educated and while they are mostly Arab, several thousand Muslim jihadists from Western countries have joined. In contrast, the Taliban’s ambitions are not global but more locally focused, i.e. to set up a “pure and clean Islamic state in
Afghanistan.” It is largely a Hanafi group, whose leaders and foot soldiers alike are Afghan, Pashtun, rural and poorly educated. And unlike the Sunni-Shia sectarian conflict that drives IS, the Taliban insurgency emerged in the context of a largely ethnic conflict but has now focused for over a decade on fighting the U.S.-led coalition forces and the Afghan government.

The spectacular rise of IS in Iraq, Syria, Libya and elsewhere has triggered expectations of similar growth in Afghanistan. However, its future in the country will likely be less smooth as it can expect a fierce challenge from the Taliban. The IS-Taliban relationship in Afghanistan will be adversarial not only because their composition, ideologies and goals are different – differences exist between the Taliban and the al-Qaeda too and yet the two worked together – but also, neither side is open to subordination to the other. In Syria, Iraq and elsewhere, IS collaborates with local groups on the condition that they work under its leadership. However, this is unlikely to happen in Afghanistan as Afghans in general and the Taliban in particular are averse to operating with foreigners, much less under them. Even the Taliban’s much-discussed cooperation with the Arab-dominated al-Qaeda was not free from tension. Still, some level of collaboration was possible because al-Qaeda’s leader Osama bin Laden pledged allegiance to Taliban leader Mullah Omar. He and his successor Ayman al-Zawahiri accepted Omar as the Amir-ul-Momineen (Leader of the Faithful).

Baghdadi reportedly looks down on Mullah Omar and will unlikely play the second fiddle to a person he considers “an ignorant, illiterate warlord, unworthy of spiritual or political respect.” In June 2014, when IS declared an Islamic Caliphate, Baghdadi assumed the title “Caliph Ibrahim” underscoring not only his leadership of the world’s Muslims, but also challenging Mullah Omar’s claim

IMPLICATIONS: What is the future of IS in Afghanistan? Will it collaborate with the Taliban or is a turf war in the cards? And what impact will its entry into Afghanistan have on the ongoing conflict there? The most valuable advantage that IS possesses to attract Afghans to join its ranks is its “brand,” which has been boosted substantially by its spectacular battlefield successes in Iraq, Syria and North Africa as well as its self-professed establishment of an “Islamic Caliphate.” While the IS’ jihad may not be attractive to Afghans in itself, disgruntled elements among the Taliban may decide to defect, impressed by the achievements of IS. Such defections could increase especially when funds begin pouring into IS’ “Khorasan unit.”
to that title. Importantly, when IS announced its expansion into the “Khorasan Province,” it avoided mentioning the Taliban by name but called on “soldiers of the Islamic State in Khorasan” to prepare for violent conflict with the “factions” there, making clear that conflict rather than co-operation or collaboration will define its relationship with the Taliban in Afghanistan. A bloody conflict looms in Afghanistan. While much of the bloodletting take place between Taliban and IS fighters, heightened competition will also see them seek to outdo each other through spectacular attacks also on other targets.

CONCLUSIONS: IS’ entry into Afghanistan will complicate the already complex conflict in the country. The main casualty of the IS-Taliban rivalry will likely be the ongoing peace process. Taliban leaders who may be considering engaging in talks will now think twice before heading to the negotiation table out of fear of being labeled traitors by IS. Taliban fighters and leaders who are opposed to talks with the Afghan government could defect to IS.

Its rapid expansion in other countries notwithstanding, the future of IS in Afghanistan is not as bright. Setting up a wing in Afghanistan is one thing, seeing it emerge as a dominant force in a land thousands of miles from its core stronghold is another. It may have overestimated its capacity in announcing its entry into Afghanistan, although its future in Pakistan may be brighter.

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AZERBAIJAN AND KAZAKHSTAN FACE TOUGH ECONOMIC DECISIONS AMID DECREASING OIL PRICE

Nurzhan Zhambekov

Azerbaijan and Kazakhstan face a tough year as oil prices plummet. A dramatic shift has occurred in the international oil market in recent months as oil supply has gone up, particularly with the U.S. oil production increase, and demand has weakened with the economic slowdown in China and the EU. Saudi Arabia, the world’s second largest oil producer, did not reduce its oil production despite the oil price decline, indicating that it would like to maintain its international oil market share. The precipitous decline in oil prices has resulted in a sharp fall in export revenues for Azerbaijan and Kazakhstan, the third and second largest oil producers respectively in the former-Soviet Union after Russia. This dramatic price drop has put the two countries’ currencies under severe pressure.

BACKGROUND: On February 21, 2015, the Central Bank of Azerbaijan (CBA) announced a devaluation of the manat by 33 percent against the US$ and 30 percent against the euro. The bank rate for the manat was set at 1.05 manat for US$ 1 from 0.7860 manat. The CBA justified the devaluation as a necessary step to maintain Azerbaijan’s international competitiveness, reduce pressure on public finances, balance payments and protect its sovereign wealth fund reserves.

Kazakhstan has already indicated that expenditures will be cut by around 1 trillion tenge (around US$ 5.4 billion). There is a likelihood that the National Bank of Kazakhstan (Central Bank) may have to devalue the tenge (Kazakh currency) in 2015 as well, either in a one-off devaluation similar to last year’s, or gradually over a longer period.

Oil exports make a large share of Azerbaijan’s and Kazakhstan’s total export earnings. According to the Economist Intelligence Unit’s estimates, oil exports account for US$ 26 billion (86 percent of exports) in Azerbaijan and US$ 54 billion (69 percent of exports) in Kazakhstan. Also, natural gas and petroleum products make up a significant portion of the export basket of both countries. Gas exports account for additional 6 percent of exports. As a result, Azerbaijan is one of the most oil-dependent countries in the world. Kazakhstan is also heavily reliant on oil and gas for its economic well-being, with petroleum products and natural gas constituting about 6 percent of exports.

According to many economic forecasts, oil prices will remain subdued throughout 2015. Prices for petroleum products and natural gas will likely fall as well. Natural gas pricing is not as transparent as oil pricing; natural gas is sold on the basis of long-term contracts.
indexed to the oil price but with a lag, and can therefore be expected to decrease. Total export revenue may decline by about 40 percent in Azerbaijan and 35 percent in Kazakhstan.

IMPLICATIONS: The total export revenue drop has put immense pressure on both countries’ currencies and balance of payments. For the time being, the Kazakh central bank has kept the tenge’s peg to the U.S. dollar. The sharp fall in the Russian ruble contributed to pressure on Kazakhstan’s currency in particular, due to close trade ties between Kazakhstan and Russia. Decreased oil prices and the lower ruble have increased speculation that the Kazakh central bank will be forced to devalue the tenge again along the lines of the February 2014 19 percent devaluation, despite repeated denials by government officials prior to the devaluation. Financial and economic analysts expect that, based on economic analysis taking into consideration the fall in oil prices and the steep depreciation of the Russian ruble last year, there will be a devaluation of the tenge by 15-20 percent. The tenge is also undergoing a liquidity crunch as the Kazakh population converted most of their savings into U.S. dollars. The liquidity shortage has increased the cost of borrowing and decreased lending, leading to an economic slowdown. The expected devaluation will likely preserve Kazakhstan’s foreign reserves.

Last year’s devaluation caused public anger and rare protests in Almaty. In addition, it triggered a run on three banks and a flight to the dollar by Kazakhstani citizens, and inflation increased significantly as a result. Due to the upcoming presidential and parliamentary elections in 2015 and 2016, authorities may delay the devaluation of the tenge or implement it incrementally over a longer period. Kazakhstan has a small currency exchange market and the central bank has sufficient foreign reserves to maintain the tenge’s peg to the dollar for the foreseeable future. The Central Bank’s external reserves and the national oil fund total more than US$ 100 billion, twice the value of money in circulation in the country at the current exchange rate.

Although Azerbaijan’s CBA in January indicated its commitment to maintaining the manat’s peg to the dollar in 2015, the CBA conducted a one-off 33 percent devaluation of the manat against the US$ on February 21. Because Azerbaijan’s trade surplus has been so large in the past, even a 40 percent fall in dollar export revenue can keep Azerbaijan in surplus for the short to medium term. The manat has been supported by fiscal transfers from the Azerbaijan’s State Oil Fund (SOFAZ), with a value of approximately US$ 13 billion in 2015. Payments into SOFAZ have been higher in recent years and
transfers from SOFAZ can be funded by drawing down on foreign currency assets, thereby creating further demand for the manat. However, the Azerbaijani government and the CBA chose to preserve the foreign currency assets by devaluing the manat against the US$.

The significant decline of the Russian economy due to the oil price drop and the Western sanctions has impacted Azerbaijan’s and Kazakhstan’s economies due to close trade ties, particularly between Kazakhstan and Russia. The low Russian ruble has negatively impacted Kazakhstan’s economic competitiveness.

Unlike Russia, which faces western economic sanctions in addition to low prices, Azerbaijan and Kazakhstan do not have major financing pressures and there is sufficient scope to use assets in the sovereign wealth funds to offset revenue shortfalls in 2015. Both countries transfer the bulk of their fiscal revenue from the oil and gas sector into oil funds. The oil funds are then transferred to their national budgets. Transfers will likely be maintained in 2015 despite a decline in foreign reserves, affecting particularly Kazakhstan after Azerbaijan’s devaluation earlier this year. Although both countries have a financial cushion in the form of oil funds, low oil prices and weaker economic growth reduce revenues from the overall economy.

There are reports in Kazakh media that the government has cut its forecast for non-transfer income by 1 trillion tenge (US$ 5.4 billion), which could create a deficit of 4 percent of GDP. Revised expenditure plans and cuts are due to the projected fall in revenue. Kazakhstan’s President Nursultan Nazarbaev urged the government and public to brace for an economic slowdown albeit keeping the promise to continue spending on social areas like healthcare and education.

**CONCLUSIONS:** The sudden yet sustained decrease in oil prices has put oil-producing countries under fiscal pressure. Azerbaijan and Kazakhstan are not exceptions. Both countries established sovereign wealth funds to accumulate oil and gas export revenue as an insurance policy against challenging economic times like these. So far, Azerbaijani authorities have chosen to devalue the manat in order to protect its sovereign wealth fund reserves. In contrast, Kazakh authorities have chosen to maintain the peg to the U.S. dollar. However, if the lower oil price environment continues for more than a year, Kazakhstan will face a stark choice to either deplete its foreign reserves by maintaining the peg to the U.S. dollar, or devalue the tenge, which will have far-reaching implications for its economy.

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CONFLICT-RELATED VIOLENCE DECREASES IN THE NORTH CAUCASUS AS FIGHTERS GO TO SYRIA

Huseyn Aliyev

The end of 2014 and early 2015 have witnessed a notable reduction in conflict-related violence across the North Caucasus. With the continuous departure of Islamist volunteers from that Russian region to the Middle East, in 2014 the number of casualties, among both militants and security forces, have decreased by more than half, compared to the previous year. While observers associate the current de-escalation of violence with the outflow of large numbers of North Caucasian youth to join Islamic State (IS) and with internal conflicts within the North Caucasus Islamist underground (Caucasus Emirate), reasons behind the recent decline of insurgency-related activities are likely to be more complex.

BACKGROUND: If low numbers of conflict-related casualties across the North Caucasus this year (14 deaths in comparison to 71 in 2014) can easily be attributed to limited military activity typical for harsh winter months, the decrease in conflict-associated violence in the region throughout 2014 is more difficult to explain. As reported by the Caucasus Knot, the number of people killed or injured as a result of the Caucasus Emirate-led Islamist insurgency in the region decreased from 986 in 2013 to 525 in 2014. Following this 46.9 percent reduction in conflict-related casualties, only 53 civilians (37 killed and 16 injured) were reported to have been affected by the violence in 2014, compared to 249 in 2013 (104 dead and 145 injured). Casualties among security personnel have also dropped significantly: in contrast to 424 siloviki killed or injured in 2013, only 221 causalities were reported last year. Amid the overall decrease in both conflict-related incidents and casualties among civilians and security forces, the death toll among members of Caucasus Emirate, despite a slight reduction, remained relatively high. For example, in comparison to 298 militants killed in 2013, 248 died in 2014. The number of bombings organized by the Caucasus Emirate’s members decreased from over 100 in 2013 to less than 25 in 2014. In sum, the year 2014 had been particularly unsuccessful for the North Caucasus’s Islamist insurgency.

IMPLICATIONS: Aside from its military setbacks, the Caucasus Emirate has also suffered from internal strife among supporters of IS and followers of the head of the Caucasus Emirate,
Ali-Askhab Kebekov, appointed in 2014. The internal split within the Emirate entered a new phase when the head of its Dagestan front, Amir Abu-Muhammad, announced his willingness to pledge loyalty to IS. A number of less prominent field commanders of the Emirate’s Dagestani units followed his example.

The split among the Dagestani militants will likely deal a heavy blow to Kebekov’s reputation as the head of the Emirate. Having inherited the leadership from the Emirate’s deceased founder Doku Umarov in early 2014, Kebekov had limited time and resources to strengthen his position within the group. Bearing in mind that Dagestan’s military jama’ats were the most active elements of the Islamist insurgency, traditionally accounting for the largest number of attacks on security forces in the region, the loss of Dagestani units may signal the beginning of the Emirate’s organizational decomposition. Yet, while the notable decline in the Emirate’s performance became obvious as early as in spring 2014, when the militants failed to launch their traditional spring offensive, disagreements within the Emirate only emerged in late 2014. Prior to the rise of IS after its military victories in Iraq in summer and early fall 2014, the North Caucasus militants knew very little about IS.

Observers have suggested another explanation for the decline in the Emirate’s military effectiveness, emphasizing the deaths of a number of prominent military commanders of the North Caucasus militant underground.

The Gakayev brothers and the former head of the Emirate Umarov, killed in 2013, were the heaviest losses sustained by the Emirate’s leadership in several years. However, the Gakayev brothers and Umarov were (most of the time) based in Chechnya. Rather than further weakening the Chechen wing of the insurgency, which was already in a state of steady decline, these losses of insurgent leaders were instead followed by increased militant activity in that republic. For example, in contrast to 39 conflict-related casualties in Chechnya in 2013, 117 people were killed and injured in 2014. The large-scale militant attack on Grozny in December 2014 was additional evidence of rising militant activity in Chechnya.

Instead, the outflow of Islamist volunteers from the North Caucasus to Syria, and less frequently to Iraq, has been cited as the most likely explanation for the dramatic decline in militant activity in the region. In the absence of reliable statistics, the exact number of North Caucasians fighting in Syria and Iraq is unknown. Approximate estimates offered by experts place the number of North Caucasians among IS ranks somewhere between 1,000 to 1,500 men. According to Syria’s ambassador to Russia, Riad Khaddad, over 1,700 Chechens are currently fighting against Syrian government forces. According to the FSB chief in Kabardino-Balkaria, some 200 residents of that republic joined IS in 2014. The number of Dagestani volunteers likely exceeds several thousand men.
Despite this relatively high outflow of Islamist volunteers from the region, in accordance with reports about deceased militants of North Caucasian origin and information about Syrian war veterans who have thus far returned to the North Caucasus, the majority were not members of the Caucasus Emirate. Furthermore, it appears that the majority of North Caucasian volunteers who left for the Middle East had no association with the Islamist underground in their home republics.

As a result, instead of swelling the ranks of the Emirate and employing their “deadly skills” in the fight against security forces at home as predicted by some analysts, the bulk of ex-IS combatants have tried to re-join their families and return to civilian lives upon their return to the North Caucasus. Over a dozen former IS members who returned to the North Caucasus and were immediately arrested and charged, seemingly had no connections with the Emirate, nor had they planned to join the militant underground in their home republics.

CONCLUSIONS: Although the outflow of North Caucasian youth to the Middle East will likely drain the pool of the Caucasus Emirate’s recruits, thus far it only had a limited effect on the organization’s military performance. It is worth noting that the Caucasus Emirate over the past several years, partly due to the lack of resources and partly guided by strategic considerations, avoided recruiting large numbers of volunteers. It instead relies on smaller, well-trained and highly motivated units of experienced fighters. All of the above detailed causes can be expected to contribute to further organizational decline of the Caucasus Emirate. More vulnerable than ever, the Emirate is now precipitously close to falling apart or becoming an offshoot of IS. Yet, the current trend of conflict de-escalation and the decrease in the Emirate’s activity started years ago. From 1,710 conflict-related casualties in 2010 to 1,378 in 2011 and 986 in 2013, the Emirate’s military decline has been ongoing over the past several years, well before the rise of IS.

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KYRGYZSTAN’S PRESIDENT MAKES UNANNOUNCED VISIT TO MOLDOVA
Arslan Sabyrbekov

The unofficial visit to Moldova’s capital Chisinau of Kyrgyzstan’s President, on the private jet of one of the country’s influential oligarchs, has spawned different opinions among the Kyrgyz public. The country’s leading opposition forces have sharply criticized the visit and demanded immediate clarification from the president.

On March 15, President Atambayev’s press service released official information on his upcoming visit to Saint Petersburg to hold bilateral talks with his Russian counterpart Vladimir Putin. Later, a number of media sources reported that before heading to Russia, Atambayev also visited Chisinau for several hours to speak with the local oligarch and deputy head of Moldova’s Democratic Party, Vlad Plahotniuc, who even provided his private jet to the Kyrgyz President.

During his short stay in Chisinau, Atambayev did not meet Moldova’s President Nicolae Timofti or any other high-ranking state officials, a gesture described by many experts to be highly undiplomatic. In explanation, Timofti’s press secretary told local media that Kyrgyzstan’s President was short on time to organize a meeting of two heads of states and confirmed that he instead met “someone” in Chisinau. That “someone’s” reputation in Moldova has raised further widespread criticism of the Kyrgyz President. According to Chisinau-based political analyst Igor Bocan, Atambayev’s interlocutor is considered Moldova’s richest man and one of the most influential figures in the country, controlling a number of economic spheres including the banking sector. Plahotniuc has earlier been involved in legal scandals related to his business activities in the United Kingdom and the Netherlands, noted Bocan.

The unannounced or rather secretive visit to Chisinau immediately activated the Kyrgyz opposition. During a session of the Kyrgyz Parliament, opposition MP and leader of the United Opposition Movement Ravshan Jeenbekov criticized the President for using someone’s private jet and demanded an explanation of the visit’s purpose. In his words, “as head of an independent state, the president has no right to use someone’s private jet and the Kyrgyz public has the full right to know where the Kyrgyz president was, which meetings he held and what subjects were discussed.” Jeenbekov has further suggested creating a special commission to investigate the matter and draw concrete conclusions. Following a number of similar critical remarks, the head of the Presidential Administration’s foreign relations department Sapar Isakov released a statement noting, “it is not yet time to comment Almazbek Atambayev’s unofficial meeting in Chisinau, but I could clearly state that this visit, just like all other activities of the president,
was dictated by the national interests of the Kyrgyz Republic.” Isakov refrained from giving any further comments.

Kyrgyz and Moldovan news media are prodding the real purpose of the Kyrgyz president’s brief meeting with Moldova’s controversial oligarch and politician. A number of experts claim that the two might have discussed Moldova’s perspective of joining the Russia-led Eurasian Economic Union, with the Kyrgyz president being the Kremlin’s messenger. Others argue that the meeting exclusively focused on business related issues. Nevertheless, this is not the first time that Kyrgyzstan’s highest state official held secret talks with foreign oligarchs. During the tenure of the ousted President Kurmanbek Bakiev, media reported on his secret meeting with Russian oligarch Boris Berezovsky, who was then wanted by Russian prosecutors for a number of criminal charges, ranging from financial fraud to engineering a putsch.

After his controversial visit to Chisinau, Kyrgyzstan’s president flew on the same jet to Saint Petersburg to meet his Russian counterpart. This was Putin’s first public appearance in more than a week, leading to various rumors of his whereabouts. Atambayev said, “They are not very correct.” He added that “The Russian President not just goes out for strolls, but takes the seat at the wheel to take his guests for a fast ride.”

Currently, Kyrgyzstan’s president is paying official visits to a number of European countries and has met with the Austrian, Swiss and French presidents. The Kyrgyz delegation is expected to hold talks with German Chancellor Angela Merkel and President Joachim Gauck in Berlin in the beginning of April.

The author writes in his personal capacity. The views expressed are his own and do not represent the views of the organization for which he works.
Privatization is a sore subject in Uzbekistan. Cases of expropriation of foreign and local companies in the past have painted a discouraging picture for private business in the country. Uzbekistan is also criticized for a government-controlled slow privatization process that has been continuing at a snail’s pace since the early days of independence. Uzbekistan’s import-substitution and export-oriented industrialization policy is also not popular among backers of a liberal economy.

Yet, privatization gained renewed attention when, on January 16, 2015, Uzbekistan’s President Islam Karimov requested the Cabinet of Ministries to develop a program on restructuring, modernization and diversification of production for 2015-2019 with a focus on privatization. This was the first presidential-level request for privatization and thus very important for elevating the topic’s importance. In a government like Uzbekistan, what the head of the country says today becomes law tomorrow with ensured follow-through.

The Program on Privatization is under development and is envisioned to encompass full-scale and pivotal analysis of the government’s presence in the economy, aiming to decrease the state presence and increase the share of the private sector. The program prescribes a three-fold reduction of state-owned enterprises: 534 companies that have state shares in nominal capital will be reduced to 147, and 660 non-working enterprises will later be sold to private individuals. The World Bank and the International Finance Corporation were for the first time actively included in the program development process to solicit their expert opinion on the privatization process, with the first round of meetings organized in March 2015.

In the most recent World Bank and State Department reports, however, privatization and foreign investment did not receive high marks. In the Uzbekistan Country Program Snapshot for 2014, the World Bank mentions that the net inflow of foreign direct investments (FDI) has been decreasing in recent years. Cumulative per capita FDI inflows are low due to the government’s reluctance to fully open the economy and improve the foreign investment climate in some areas. The State Department’s Investment Climate report for 2014 pointed out that “access to currency conversion, debilitating red tape, an onerous system of taxation, overregulated banking, and punitive customs laws and procedures” are the most important issues mentioned by foreign and domestic investors, followed by expropriation cases and politically-motivated inspections of companies. The same report says that Uzbekistan’s investment legislation provides a range of guarantees for foreign investors, but
the legislation is ambiguous and self-contradicting.

When this author raised these issues from the State Department report with Uzbek officials familiar with developments in the privatization area, they said (on condition of anonymity) that in most expropriation cases, companies seek to abuse domestic laws that allow tax-free import of machinery to Uzbekistan. They then fail to produce a final product through localized production as stipulated in the agreement signed by investors. The officials added that in some expropriation cases, the final product fails to materialize by the deadline of an agreement. Overall, they claimed Uzbekistan currently has around 31,000 private companies and the majority of them are working successfully.

When the author asked the same officials why the Privatization Program is being developed now, 24 years after the privatization process started in the early 1990s, they responded that the government is now more confident to give up state assets because it is certain that privatization can be implemented without disruptions. Unsuccessful early privatization processes in Russia and other former Soviet countries made Uzbekistan hesitant to rush into the privatization process. Furthermore, they added, the government focused on developing a legislative basis for privatization that among others things would protect socially vulnerable groups who could have been disadvantaged by privatization. In preparation for the privatization process, the government was also busy establishing colleges with foreign partners that would provide the younger generation with business-oriented education.

The State Department’s Investment Climate report recognized improvements, such as amendments to the Law on Foreign Investments (effective January 20, 2014), which introduced a single-window process for the registration of businesses, requiring no more than seven days to finish registration from the submission of an application.

The recent developments in privatization at the presidential level might indicate that Uzbekistan’s government has depleted its measures to control the economy and is ready for the next step. However, the question remains if the economy’s modernization and market-oriented reforms will continue while the government is implementing strong import-substitution strategies. The development of the privatization program at the president’s request in partnership with international organizations is a signal that Uzbekistan’s government is increasingly interested in seriously improving the country’s investment and business climate as state assets are being prepared for divesture.
ACUTE POLITICAL CONFRONTATION SIMMERS IN GEORGIA
Eka Janashia

The struggle for power between the Georgian Dream (GD) ruling coalition and opposition parties, as well as within GD itself, is gradually gaining impetus at all levels of governance against the background of a slowing economy and corruption cases.

At the end of 2014, the coalition underwent serious changes affecting senior and mid-level government officials, as well as the cadre of the party’s leadership. The alterations were allegedly due to Georgia’s “Grey Cardinal” Bidzina Ivanishvili’s loss of confidence in his protégé PM Irakli Gharibashvili, and an ensuing attempt to replace the PM’s trustees with those of Ivanishvili at tactically important positions, including the GD’s Executive Secretary, the Minister of Internal Affairs, the heads of the Special State Protection and State Security Services, and the Deputy Minister of Regional Development and Infrastructure. The latter post was taken by the billionaires’ close associate and former head of his Cartu Bank, Nodar Javakhishvili.

Javakhishvili recently confronted his boss, Minister David Shavlishvili, over the failure to deal with disorders in road tenders and financial fraud schemes. While opposition parties have frequently pointed out the corruptive involvement of Gharibashvili’s cronies in state tenders, the indictment aired by the deputy minister cast the case in a different light and could be perceived as another attack on the PM.

This trend is coupled with GD’s loss of majority in a regional legislative body – the Supreme Council (SC) of Adjara Autonomous Republic. Since the October 2012 parliamentary elections, GD has held 13 seats versus the opposition United National Movement’s (UNM) 8 in the 21-member SC. In November 2014, the GD lost two seats in the SC after the Free Democrats’ (FD) departure from the coalition, leaving GD with 11 seats – still sufficient to override the opposition’s votes. However, in February, the chairperson of the SC’s human rights committee, Medea Vasadze, quit and deprived the coalition of a clear majority.

Moreover, on February 20, two GD members supported the UNM’s initiative to sack the SC’s vice speaker Davit Batsikadze and the chairperson of its financial and economic committee Alexandre Chitishvili, both GD members.

The proponents of the initiative accused the officials of failure to carry out their duties. In turn, GD accused UNM of “revanchism” and termed the support from its own members for the proposal a “traitorous action.” PM Gharibashvili said the two SC members had been covertly cooperating with UNM and the move would be rebounded “very strictly.”

While GD has failed to keep a steady majority in Adjara, it has locally become involved in scandalous
corruption cases. In February, the head of Tbilisi City Hall’s supervision service, Jokia Bodokia, was detained on bribery charges. According to the Prosecutor’s Office, Bodokia received a US$ 50,000 bribe from a construction company in exchange for a hotel construction permit in Tbilisi. The opposition asserted that vice Mayor Alexander Margishvili and even Tbilisi Mayor Davit Narmania were involved in the deal.

Prosecutors claimed that an employee of the mayoral office, Mikheil Kviria, also accepted a US$ 10,000 bribe from Indian and Iraqi citizens in return for a land purchase permit near Tbilisi. Meanwhile, Margishvili resigned without any explanation, and in March, the administrative head of the mayoral office, Reno Chakhava, and his deputy Mariam Shelegia also quit their posts.

Narmania abruptly announced the establishment of the Tbilisi Entrepreneurship Support Center (ESC) and appointed Margishvili head of the agency, which will be tasked with fostering investor activities and developing entrepreneurial skills.

Transparency International Georgia (TIG) slammed the initiative, arguing that a number of other structures with the same tasks and functions are already operating across the country. Also, the two million GEL envisaged for the agency’s budget exceeds the funding for the Business Ombudsman’s office by a factor of four and is at odds with the “tighten belts” policy announced by the government.

According to TIG, Margishvili’s appointment raises doubts as his reasons for resigning from the post of vice-mayor remain unclear.

These episodes add to the coalition’s trouble in strengthening its political power attain credibility for its policies. One of the most apparent reasons is Ivanishvili’s rule behind the scenes, coupled with his changing attitudes towards previously favored persons. Ivanishvili’s criticism against President Giorgi Margvelashvili, PM Gharibashvili, and Mayor Narmania, indicates that he is no longer satisfied with their performance. His endeavor to introduce new trustees in the government ramps up the competition for influence, thus enlarging rifts within the coalition and creating space for inefficiency and corruption. GD’s retreat in a major regional legislative body and the murky business in Tbilisi City Hall might reflect GD’s incapacity to coordinate its heterogeneous coalition to cope with Georgia’s political and economic situation.

Finally, GD’s partition gives the opposition forces a new window of opportunity, which the UNM has already started to exploit. At the March 21 demonstration, the party’s leaders declared permanent protest rallies in order to achieve the government’s resignation and possibly even early parliamentary elections. Although the party does not enjoy much popular support, it seems determined to fight for regaining public trust.
TAJIKISTAN'S OPPOSITION SUFFERS KIDNAPPINGS AND ASSASSINATIONS

Oleg Salimov

On March 5, 2015 the leader of the Tajik opposition organization Group 24, Umarali Kuvatov, was assassinated in Istanbul. Kuvatov has previously been accused of extremism in Tajikistan, and Tajik law enforcement has pursued him since 2011. He was previously arrested in Dubai in December 2012 at the Tajik government’s request on charges of fraud. In April 2013, a Dubai court allowed Kuvatov’s extradition to Tajikistan, which was later postponed and Kuvatov was released from custody in August 2013, at the request of human rights organizations and European parliament representatives.

Kuvatov was arrested anew in Istanbul on December 14, 2014 while awaiting refugee status, according to the Human Rights in Central Asia association, and released on February 3, 2015. On March 5, 2015 Kuvatov was shot in the head in Istanbul and pronounced dead at the scene. Turkish authorities arrested three Tajik citizens on March 9 in connection to the crime. The investigation revealed that Kuvatov was poisoned that night while having dinner with one of the suspects. No motives are yet announced for the meticulously organized assassination. Tajik authorities refrain from commenting the incident.

Previously, Maxud Ibrogimov, leader of the Tajik opposition group Youth for Revival of Tajikistan, who disappeared in Russia at the beginning of this year, reappeared in Tajikistan. Tajikistan’s Prosecutor General’s office confirmed in January, 2015 that Ibrogimov is in the custody of the State Committee of National Security (former KGB) in Dushanbe. The Prosecutor General’s representative Rizo Khalifazoda stated that Ibrogimov is charged on several counts of Tajikistan’s Criminal Code, including extremism, although no other details on the charges were provided.

Prior to the kidnapping, Ibrogimov received numerous threats and survived an assassination attempt in Moscow in November 2014, which Ibrogimov’s supporters believe were linked to his political views. Ibrogimov’s organization, formed in October 2014, focuses on fighting corruption and the clan system, and engaging Tajik youth in political processes. The opposition coalition New Tajikistan, in which Ibrogimov holds an administrative position, is convinced that the kidnapping is a result of protest actions against Tajikistan’s government, which the coalition organized in several Russian cities.

Tajikistan’s government outlawed Youth for Revival of Tajikistan on October 7, 2014, soon after Group 24, also part of the New Tajikistan coalition, announced plans for an unsanctioned demonstration against President Emomali Rakhmon in Dushanbe on October 10, 2014. Although the demonstration never took place and Ibrogimov officially denounced
any violence in his organization’s political activity, he still drew the attention of Tajik authorities.

On November 27, 2014 an unidentified person attacked Ibrogimov in Moscow. Ibrogimov was delivered to a hospital in a severe condition with multiple stab wounds. In an official statement, New Tajikistan directly accused Tajikistan’s secret services and Rakhmon of the assassination attempt. Meanwhile, Tajik law enforcement requested Ibrogimov’s extradition on charges of extremism. Ibrogimov spent two days in confinement in Moscow awaiting extradition to Tajikistan but was released as a holder of Russian citizenship. His kidnapping followed soon after. A similar assassination attempt on a Tajik journalist, Dodojon Atovuloev, took place in Moscow in January 2013. A profound critic of Rakhmon, Atovuloev was stabbed multiple times by an unidentified person but survived.

Tajikistan’s extradition request to Spain of another member of Group 24, Sharofiddin Gadoev, in July 2014 was declined by Spanish authorities. Ukraine also denied extradition to Tajikistan of a former presidential candidate and rival to Rakhmon, Abdumalik Abdulojonov, in April 2013 after holding him in detention for nearly two months. As seen in the cases of Atovuloev, Ibrogimov, and Kuvatov’s, Tajik opposition activists in exile have become targets of assassinations and kidnappings.

Tajik authorities have previously resorted to kidnapping members of Tajikistan’s political opposition. In April 2005, the ex-chairman of the opposition Democratic Party of Tajikistan, Makhmadruzi Iskandarov, was kidnapped in Moscow and secretly transported to Dushanbe. Iskandarov was sentenced to 23 years in prison in October 2005. Another Tajik citizen, Savriddin Juraev, was kidnapped in Moscow and reappeared in Dushanbe to stand trial on charges of extremism in November 2011. Juraev received 26 years in prison in spring 2012.

While investigations into previous assassination attempts on members of Tajikistan’s opposition have never proven any involvement of Tajik authorities, these events clearly intimidate those who confront the ruling elite at home and abroad. Unless the problem draws wider attention from human rights organizations, Tajikistan’s international partners, and proponents of civil society and democracy, these practices will likely continue.