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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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The Central Asia-Caucasus Analyst is an English-language journal devoted to analysis of the current issues facing Central Asia and the Caucasus. It serves to link the business, governmental, journalistic and scholarly communities and is the global voice of the Central Asia-Caucasus Institute & Silk Road Studies Program Joint Center. The Editor of the Analyst solicits most articles and field reports, however authors are encouraged to suggest topics for future issues or submit articles and field reports for consideration. Such articles and field reports cannot have been previously published in any form, must be written in English, and must correspond precisely to the format and style of articles and field reports published in *The Analyst*, described below.

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

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

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

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

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

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

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

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POST-WAR GEORGIA'S ECONOMIC CHALLENGES

Vladimer Papava

After the five-day Russian-Georgian war in August 2008, and in consideration of the global financial crisis, Georgia has come to face new economic challenges. These include, in particular, undoing the economic damage caused by the war, avoiding a crisis in the banking sector, preventing further growth of an already high inflation rate, and preserving the stability of the national currency's – the Georgian Lari (GEL) – exchange rate. Also, for post-war Georgia it is of no less importance to make a successful transition to the free-trade regime proposed by the US and the EU. A timely and adequate response to those challenges will pave the way for Georgia to overcome the present economic hardships.

BACKGROUND: Generally speaking, the Georgian economy stood the test of the five-day Russian-Georgian war in August 2008, even though it faces considerable difficulties in the aftermath. Direct economic losses consist in ruined settlements and infrastructure, along with considerable environmental damage.

The war threatens Georgia's banking system, as well as the stability of the national currency GEL exchange rate. August 11 was an especially perilous day for the banking sector; in anticipation of further advancement of Russian occupation forces, individuals and entities started withdrawing their savings and deposits from the banks. In a few days, some half-billion US dollars were withdrawn. In the month following the war's end, only 30% of this amount was returned to the banks.

Huge social problems of internally displaced persons (IDPs) from the conflict regions affected by the Russian aggression require Government spending. First, the Government is building temporary homes for those people. These efforts create additional demand for construction materials and labor and may contribute to an

economic revival, but with some negative effects. The Government's expenses in the construction sector, however essential they may be, will inevitably cause a further growth of inflation in a rather short period of time because it is the Government, not private individuals or entities, which is buying those homes. Furthermore, the Government announced that it will distribute vouchers to IDPs to pay gas and electricity bills, which will add to inflationary pressures. It is true that the Government has no choice. But this also makes increased inflation inevitable.

Foreign direct investments (FDI) in has dropped significantly. The primary reason is that, with the global financial crisis, investors have been trying to make their investments in relatively safer countries. Georgians living abroad have had to reduce remittances to relatives living in Georgia. Considering Georgia's huge foreign-trade deficit (Georgian imports are four times greater than exports) it is no surprise that the GEL exchange rate has become unstable.

The proposed transition to a free-trade regime with the United States and the EU would encourage a continued flow of FDI into Georgia.

The negotiations with the US are still embryonic, but the EU's conditions are at hand; as decided by the Extraordinary European Council that met in Brussels on September 1, it depends on Georgia's meeting the conditions of the European Neighborhood Policy. These include the adoption of a new labor code, which would secure for employees the same rights as those protected in the EU, and the enactment of a European-style antimonopoly and consumer-rights protection legislation.

IMPLICATIONS: In October 2008, the donors' conference held in Brussels under the aegis of the World Bank allocated US\$4.5 billion in aid (2 billion in grants and 2.5 billion in loans). Georgia will receive these funds during 2008–2010, and much of it will be spent on undoing the economic damage caused by the Russian military aggression.

To avoid a banking crisis, the central bank – the National Bank of Georgia (NBG) took the right decision when it renewed commercial-bank refinancing, thereby opening a channel of cheap credit resources for the country's commercial banks. At the same time, the basic interest rate on certificates of deposit was reduced from twelve percent to ten percent (to discourage commercial banks from buying NBG securities), and the minimum reserve requirements for commercial banks were reduced from fifteen percent to five percent. With these steps the NBG safeguarded Georgia from a major banking crisis, but at the same time it contributed to the growth of money supply, which, in turn, spurs inflation. Having faced a Hobson's choice, the NBG opted for an inflationary rescue, because a banking crisis might have destroyed the economy.

After the war, the IMF, acting within the scope of its Stand-By Arrangement, extended US\$750 million, of which 250 million were already transferred to the NBG reserves. Instead of allowing a gradual devaluation of the GEL, the

NBG attempted to ensure an almost imperceptible devaluation by effecting regular interventions into the currency market, in one month spending more than US\$300 million of its hard-currency reserves. As a result, the GEL lost only 2.5% against the dollar. However, on November 7 in the Inter-Bank Currency Exchange, commercial banks' demand for dollars soared to more than US\$31 million against a zero supply on their part (as it had been for more than a month before that day). In response, the NBG offered for sale just US\$270,000 and then quit transactions, ostensibly for some technical problems. A general panic ensued: cash machines were cleaned out and currency-exchange outlets drastically raised the dollar exchange rate, with many simply refusing to sell dollars. The NBG then arranged for a "Green Friday". The panic in the currency market continued on Saturday and Sunday as well. On Monday, November 10, when the Inter-Bank Currency Exchange renewed operations, the NBG offered for sale US\$47 million, thereby setting a new dollar exchange rate. Compared to the morning of the "Green Friday", the Lari was devalued by 15%. Only then did the NBG leadership make a statement claiming that the events of November 7 had been planned in advance. Whatever the case, after the "Green Friday" people have been trying to get rid of GEL, the commercial banks have been reluctant to extend loans in them, and the dollarization of the Georgian economy has grown drastically. As imports account for 80% of Georgia's consumer market, exchange-rate induced inflation is one of the most serious economic problems in post-war Georgia.

Although the Georgian Government has generally welcomed the EU's initiative regarding the free-trade regime, it has disregarded the EU's conditions. For example, the Letter of Intent, sent by the Georgian Government to the IMF on 9

September with the Memorandum of Economic and Financial Policies for 2008–2009 avow that in the observable future the Georgian Government does not plan to amend the Labor Code and to adopt new antimonopoly and consumer-rights protecting legislation. So, the Georgian Government is by no means hurrying to implement a transition to the free trade regime with the EU.

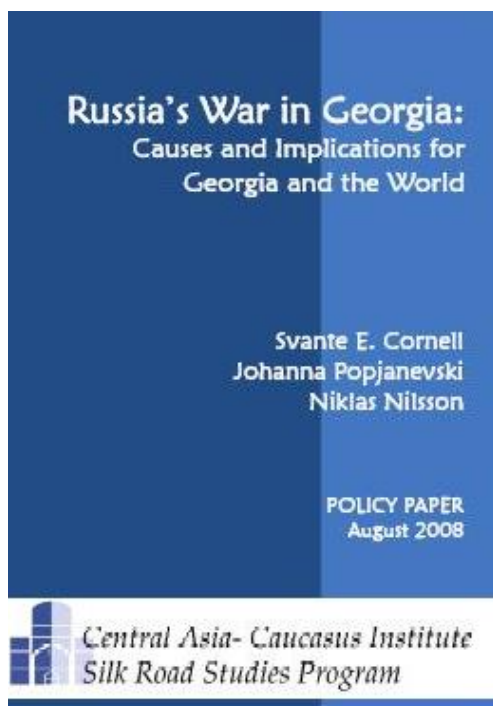
CONCLUSIONS: In the process of undoing the damage to the Georgian economy as a result of the war, donors must monitor the spending of all those funds that they are giving Georgia. The spending must be as transparent as possible.

In the aftermath of the war, the devaluation of the GEL is inevitable. However, to maintain the country's macroeconomic stability it is essential that the devaluation takes place gradually, so that any panic in the currency market, like the one which took place on the "Green Friday," could be avoided. The US\$4.5 billion that Georgia is going to receive in 2008–2010 is a solid foundation for preventing further startling devaluations. However, unless the organizers of the "Green Friday" are held responsible for their decisions and actions, at least politically, similar experiments

may be repeated. The restoration of public confidence in the GEL depends on good management of further devaluation.

The transition to a free-trade regime with the EU is of vital importance for Georgia. The Georgian Government should not tarnish this issue with political speculations. Up to now, the Government provided only intimations that it sought to get closer to the EU. In fact, the Government has made no concrete effort to meet EU requirements. In this context, it is of particular importance that the Bretton Woods institutions and the EU closely cooperate and coordinate efforts. Such steps will force the Georgian Government to show greater consistency in its actions.

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New Policy Paper:

Russia's War in Georgia

By Svante E. Cornell, Johanna Popjanevski, and Niklas Nilsson

This Policy Paper provides a detailed chronology of the time leading up to the war in Georgia, as well as to the war itself, while providing an analysis of its implications for Georgia and beyond.

The Paper can be downloaded free at www.silkroadstudies.org. Hardcopy requests should be addressed to Katarina Lesandric at caciz@jhu.edu.

BEHIND UZBEKISTAN'S EAEC SUSPENSION: THE 6+3 INITIATIVE

Gregory Gleason

The Uzbek government's notification on October 15, 2008, that Uzbekistan is suspending participation in the Eurasian Economic Community raises as many questions regarding the resilience of traditional political alignment in the "post-Soviet" region as it does regarding the Uzbek government's assessment of the "neo-Uzbek" future. While many analysts in the post-Soviet regions continue to look at political dynamics in terms of the legacy of the Soviet past and the requirements of the restoration of traditional security and economic linkages, the Uzbek leadership's bold move is an indication of the growing willingness to look at tomorrow's policy challenges in innovative terms. In this context, Uzbek president Islam Karimov's innovative "6+3 Initiative" calls for a dramatically different approach of aligning European, Russian and U.S. interests with those of the Central Asian states in addressing normalization in Afghanistan — the most urgent challenge.

BACKGROUND: Eurasian inter-state cooperation is in an important phase of redesign. Over the past two decades the principal policy concerns throughout the Eurasian region focused on post-communist transition and managing the consequences of the disintegration of the USSR. The importance of these issues has now become far outpaced with the forward-looking challenges relating to greater competition over market position (particularly with respect to energy and minerals), a rapidly changing security terrain (particularly with respect to the risks to Central Asia from Afghanistan's Taliban insurgency), new challenges that are just over the horizon (particularly ballistic weapons technology, and the nuclear balance given Iran's uranium enrichment program), and a new set of environmental challenges (particularly relating to population change, water and electricity supplies, and public health conditions). There is a growing amount of sentiment among the analysts within the Eurasian policy making establishments suggesting a major paradigm reorientation: inter-state cooperation

arrangements need to be reoriented to be less backward-looking and significantly more forward-looking.

The political context in the region has been increasingly dynamic. New Eurasian regional international organizations have been established, modeled for the most part on previously existing organizations. These new Eurasian organizations address security and economic challenges in ways that parallel the functions of existing international organizations, in some cases complementing them and in some cases conflicting with them. The two most important organizations are the Collective Security Treaty Organization (CSTO), the restored and institutionalized follow-on to the 1992 Collective Security Treaty, and the EAEC, a revised and more compact format for achieving many of the goals that the Commonwealth of Independent States (CIS) arrangements failed to achieve.

The EAEC grew out of the simple goal, common among all the members of the CIS, to establish and retain a "single economic space" throughout the former Soviet region. What this

meant was essentially making it possible for trade and commerce to flourish on the basis of market-driven supply and demand. When the CIS arrangements proved unable to achieve that, countries turned to a variety of

Tajikistan, and – after it joined in January 2006, Uzbekistan – committed themselves to adopting common policies on trade, migration, currency exchange, and infrastructure development. EAEC members adopted specific agreements designed to coordinate labor, monetary, customs, employment, tax, and investment policies on a region-wide basis. The EAEC set itself a goal of establishing a free trade area, while eliminating or at least regularizing internal tariffs. The EAEC announced it intended to create common external tariffs and establish a unified system for inter-bank payments and settlements. Gradually the EAEC members began to expand the overall mandate to the idea of forming a single energy area, a single transport area, a gas alliance, a single securities stock market and a new Ruble zone.



Islam Karimov (Uzbekistan National News Agency)

alternatives. The most promising was the program of Eurasian integration developed by Kazakhstan's Nursultan Nazarbayev. Since its inception in 1994 and for several years, Nazarbayev's Eurasian integration ideas were greeted in Kremlin circles with little enthusiasm.

That changed when the Putin administration came to power in Russia. Qualms about Eurasian integration were put aside and Russia first adopted and then became the leading sponsor of the idea of Eurasian economic integration. The Eurasian Economic Community was established in October 2000 in Astana, Kazakhstan's capital, to institutionalize this, establishing a new framework for interstate cooperation. The EAEC members, Belarus, Kazakhstan, Kyrgyzstan, Russia,

IMPLICATIONS: Even as Eurasian cooperation activities grew in number and visibility, in terms of summits, meetings, conferences, communiqués, resolutions, decrees, and, of course, in terms of the sheer volume of normative acts, bureaucratic policies and provisions, there was a conspicuous absence of commensurate growth in the achievement of the objectives. Dissatisfaction led to questions which eventually led to objections. Uzbekistan's leaders from the early days of the Soviet collapse had responded with alacrity at new cooperative initiatives but had also demonstrated very limited patience with agreements that consistently failed to deliver. Uzbekistan was a founding member of both the Central Asian Union and the Central Asian Cooperation Organization, as well as joining

GUAM in 1999. But Uzbekistan was also the first to walk away from these enterprises when they failed to address Uzbekistan's interests with respect to problems of trade, labor migration, the energy-water nexus, and political extremism.

Despite joining the EAEC, Uzbek President Islam Karimov eventually became dissatisfied with the inability of the cooperation organizations to achieve their goals. Karimov, who along with Nursultan Nazarbayev is one of the true veterans of the post-Soviet period, began proposing innovative approaches. Karimov announced a major initiative to support Afghanistan reconstruction in April 2008 when he stated at the Bucharest NATO conference that "Uzbekistan stands ready to discuss and sign with NATO the Agreement on providing for corridor and transit through its territory to deliver non-military cargos through the border junction Termez-Khayraton, practically the sole railway connection with Afghanistan." Attempting to forge yet another transnational cooperative undertaking, Karimov in May 2008 announced the idea of merging the CSTO and the Eurasian Economic Community in order to collectively work with Europe on security cooperation throughout the region.

Karimov's innovative proposals have been met with pained expressions of puzzlement from Russian diplomats and simple puzzlement from western diplomats. Uzbekistan's suspension of the EAEC is apt to cause consternation among the more legalistically inclined of the Russian policy establishment, given that it appears to be a move whose implications are undefined. The EAEC is a voluntary organization. The EAEC charter specifies provisions for withdrawal. Members are free to withdraw with a year's notice and with assurances of fulfilling financial and other commitments of

membership. The procedure and consequences of "suspending" participation is not defined in the charter. The idea of suspending treaty compliance is not without precedent (given that Russia in July 2007 "suspended" its participation in the Conventional Forces in Europe Treaty). But the idea of suspending participation in an international organization does imply some uncharted territory in international law.

CONCLUSIONS: Uzbekistan's suspension has provided fuel for political pundits who see Uzbekistan's decision as a result of "Great Game" political machinations. Those who argue that "when the American position is strengthened, the Russian position is weakened" see Uzbekistan's initiatives as facile manipulations effected by the incoming presidential administration in Washington. Despite the fact that there is no evidence for this from anything the Uzbek government or the U.S. government had said and that the incoming administration officials are still months away from even occupying their desks, let alone devising any grand strategies, it is easy for some analysts to see Central Asia as the soccer field for Great Powers. This is unfortunate because it diminishes the role of Central Asian diplomats and policy officials, relegating them to the role of objects rather than subjects. It also detracts attention from the more important foreign policy challenge for all of Central Asia, the normalization and stabilization of Afghanistan.

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AZERBAIJAN AND KAZAKHSTAN WITHDRAW FROM IRAQ: SHIFTS IN EURASIAN PEACEKEEPING POLITICS

Roger N McDermott

Kazakhstan announced the withdrawal of its peacekeepers from Iraq on October 21, bringing to end a five-year period of a small element of Kazakhstan's peacekeeping battalion (KAZBAT) presence in Iraq, originally sent in September 2003 as part of Kazakhstan's efforts to support the war on terror and play an active political role in the coalition of the willing. Azerbaijan announced its withdrawal of 151 peacekeepers from Iraq on November 12, having served for five years under U.S. command protecting a water storage facility and hydroelectric dam in Anbar Province. President Aliyev had sent a bill to parliament in October laying the basis for the withdrawal, finally approved on November 10. Baku's decision centered on legal concerns, since the UN mandate for the multinational Force expires on December 31, 2008.

BACKGROUND: In Astana, officially the decision followed a request from the Iraqi government, based on improvements in the security situation within the country and the belief that Iraqi security forces were capable of taking on these functions. A Kazakhstani military delegation visited Iraq on October 18-21, headed by Deputy Defense Minister Lieutenant-General Bolat Sembinov, where a series of meetings were held with General Raymond Odierno, Commanding General of the Multinational Force and Iraqi defense officials. Yet, there has been consistent pressure internally for the withdrawal to take place, mainly from pacifists within Kazakhstan's parliament, which was always managed tightly by President Nazarbayev. Indeed, in January 2005, KAZBAT suffered its first and only fatality when an officer died as a result ordinance unexpectedly exploding during unloading from a vehicle; four other members of KAZBAT were wounded and seven Ukrainian peacekeepers died in that incident.

However, with the unfolding plan to gradually reduce the foreign forces based in Iraq, it was

only a question of timing as to when KAZBAT would be withdrawn. One significant factor should not be underestimated, and this is the extreme pressure on Astana from Moscow for political support in the aftermath of the war in Georgia. Although Nazarbayev has been publicly supportive of Russia's actions in the South Caucasus, he has predictably tried to sit on the fence, frustrating Russian officials. The withdrawal of KAZBAT from Iraq came in this context, allowing Moscow to draw an important conclusion: Astana is no longer politically comfortable with supporting U.S. policy in a 'coalition of the willing.' But this will not deflect Astana from pursuing limited future peace support cooperation with NATO, despite the present strained NATO-Russia relations. Sembinov was thus able to confidently assert, "The Kazakh detachment has finished its five year peacekeeping operations, fulfilled its objectives and successfully ended its mission in Iraq."

Unlike KAZBAT, the Azerbaijani army had formed a peacekeeping detachment earlier in 1997. Since then, it gained important

operational experience worldwide, including in Kosovo and Afghanistan. In September 2008, Baku announced its intention to increase the size of its deployment in Afghanistan. Its peacekeepers, therefore, are much more experienced and 'usable' in terms of international operations, than KAZBAT. Astana desperately needs additional opportunities for its peacekeepers to gain experience. The contingent of 27 military engineers deployed in Iraq, tasked with demining duties under Polish command in Iraq's south-western Wasit Province, was always geared towards showcasing Kazakhstan's armed forces, presenting a positive if false impression of their effectiveness. Quite simply, the presence of KAZBAT in Iraq did not reflect the otherwise weak, underfunded and poorly led Kazakhstani armed forces: it was seized upon as an opportunity for image projection. Kazakhstan's politically ambitious governing elite wants to promote a positive if unrealistic image of its armed forces abroad, while facing demands

from the U.S. and U.K. and pressure from NATO to deploy peacekeepers operationally as a quid pro quo for essential training, equipment and assistance provided in recent years for the development of Kazakhstan's peace support capabilities: this option may be realized by finding a way of deployment KAZBAT 'elements' in Afghanistan under NATO as a part of a supporting role for ISAF.

IMPLICATIONS: Kazakhstan intends to maintain and further strengthen its relations with NATO. This was notable in recent public statements by Defense Minister Daniyal Akhmetov and the presence of the NATO Secretary General's Special Representative for the Caucasus and Central Asia, Ambassador Robert Simmons, at the annual Steppe Eagle 2008 exercises in September involving Kazakhstani, British and American troops. Astana is confidently expecting KAZBAT to be declared NATO interoperable, a decision more likely to reflect political motives on the part of the Alliance, and continued assistance from NATO and some of its member states to transform KAZBAT into a brigade sized peacekeeping force (KAZBRIG).

On November 20, 2008 Kazakhstan's Secretary of State Kanat Saudabayev told a plenary session of the NATO Parliamentary Assembly in Valencia that Astana is considering an opportunity for stepping up its support for peacekeeping operations in Afghanistan under the aegis of NATO. This may involve sending officers to work at hospitals and at



Azerbaijani Soldiers in Iraq (US Marine Corps)

ISAF headquarters in Afghanistan. Washington and London have particularly pressed Kazakhstan to deploy peacekeepers operationally, preferably in Afghanistan, and if Saudabayev's remarks can be taken as an indication of a shift in policy, the withdrawal of KAZBAT from Iraq may be linked to preparing to follow the new U.S. re-concentration on Afghanistan promised by Barack Obama; yet the signal from Astana is to follow the multilateral route in taking such controversial steps.

On the other hand, Baku has experienced intense Russian diplomatic activity since the Russia-Georgia war, as Moscow has attempted to facilitate an agreement between Armenia and Azerbaijan over Nagorno-Karabakh. Throughout the Caucasus and Central Asia, following the Georgia conflict there is less certainty about Moscow's intentions and a greater disposition towards caution, especially within Central Asia. Yet the reshuffling of the deck, currently underway over peacekeeping forces, signals new shifts in the use of the elements of Azerbaijan's and Kazakhstan's armed forces. Both countries are recalibrating such policies in the wake of Barack Obama's election success. Azerbaijan has adopted a strict legal interpretation relating to the presence of peacekeepers, in the absence of a Status of Forces agreement between the U.S. and Iraq and the imminent conclusion of the UN mandate in Iraq; this legality issue was oddly missing from the explanations offered by Astana for its decision to withdraw.

CONCLUSIONS: Both Azerbaijan and Kazakhstan remain open to re-deployment options, which will spark little controversy in

Baku, since it already has peacekeeping forces in Afghanistan, though it could be potentially contentious for Astana to send any military personnel to Afghanistan, with the memories still fresh of the losses of Kazakh soldiers in the Soviet-Afghan war. With Russia's Prime Minister Putin referring to Kazakhstan as Russia's closest ally, there will be less confidence in Astana in implementing any security policies without first awaiting 'signals' from Moscow. Azerbaijan and Kazakhstan pulling troops out of Iraq may not signal less interest in participating in peace support operations, but it subtly reveals shifts currently underway in the calculations of both capitals as they adjust to the post-Georgia conflict within their regions, the election of Obama in Washington, and the gradual shift in emphasis that may occur as military forces leave Iraq and the Obama policy on Afghanistan and the war on terror begins to take shape. Baku's commitment to the operation in Afghanistan is likely to be more secure and reliable in the longer term, while if Astana decides to deploy PSO elements it will likely follow the pattern established in its Iraq experience; proving relatively low risk and largely politically symbolic.

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OBAMA TEAM PONDERES NEW APPROACH TO PAKISTAN

Richard Weitz

According to diverse media reports, South Asian experts associated with incoming U.S. President Barack Obama are advocating that the next administration adopt a comprehensive, integrated, and fundamentally “new” approach towards Pakistan. The policies reportedly under consideration include increasing U.S. economic assistance, augmenting the transparency and accountability of U.S. aid flows, and working with a wider range of foreign countries and institutions seeking to promote Pakistan’s peace and security. Pakistani leaders have endorsed many of these policies in principle, but challenges remain.

BACKGROUND: An influential Obama adviser on South Asia, former CIA officer Bruce Riedel, has characterized Pakistan as “the most dangerous country in today’s world.” Obama’s team worry that continued chaos in Pakistan could threaten a range of U.S. goals, including resolving the conflicts in Afghanistan and Kashmir, curbing nuclear nonproliferation, and promoting liberal, secular democracy in a Muslim country that has experienced long periods of military rule. Most seriously, it could allow al-Qaeda to develop further its incipient safe haven in northwest Pakistan, from which it could threaten new terrorist strikes against the United States and its allies.

American policies towards Pakistan became an important issue during the recent American presidential campaign. For example, Senator Obama said he would order unilateral military actions in Pakistan if U.S. policy makers had “actionable intelligence” about the location of senior al-Qaeda leaders and the Pakistani government proved unable or unwilling to move against the terrorists directly. Although Obama’s statement produced some controversy when issued, subsequent developments have

made clear that the Bush administration has adopted this position and already expanded the range of U.S. military operations conducted across the Afghan-Pakistan border. The most controversial element of the new Bush strategy has been the use of U.S. Special Operations Forces in ground missions inside Pakistan.

Obama and his advisers have endorsed congressional efforts to provide a more equal balance between military and non-military aid to Pakistan. The Bush administration has provided approximately 11 billion USD in assistance to Pakistan since September 2001, including about 6 billion USD in “coalition support funds” that reimburse the Pakistani military for its contributions to Operation Enduring Freedom. Obama’s team fears too much of this assistance has gone to the Pakistani Army and that the provision of aid has often proved insufficiently transparent. They want to make future American assistance more accountable by increasing U.S. oversight

As a Senator, Joe Biden co-sponsored a bill that would provide for a major increase in U.S. non-military assistance for Pakistan. The Enhanced Partnership with Pakistan Act of 2008 would

allocate 7.5 billion USD in social and economic aid to Pakistan over a 5-year period. Such assistance could help Pakistan establish an effective political and economic infrastructure—such as the transportation and electricity networks needed for the envisaged reconstruction opportunity zones—in areas recently liberated of Islamist extremists. It could also enhance the resources and authority of the civilian government and therefore bolster its currently tenuous control over the Pakistani military and intelligence services.

Obama has also expressed support for mediating the dispute between Pakistan and India over Kashmir. Some of his advisers have argued that the conflict has adversely affected Islamabad's cooperation with Washington and Kabul because Pakistani policies often seem to be directed primarily at countering Indian influence in Afghanistan, including through the use of independent armed groups, rather than countering the Muslim extremists that have conducted terrorist operations in both India and Pakistan.

Similarly, the Obama team is seeking to expand the range of U.S. government, foreign countries, and international institutions that are engaged in promoting peace and prosperity in Pakistan. Within Washington, the incoming administration seeks to increase the involvement of the U.S. State Department and other non-military agencies in Pakistan in order to apply a wider range of foreign policy tools in an integrated manner. At the international level, Obama's advisers hope to work with China, Iran, and other foreign governments and international institutions that have perhaps differed with the Bush administration regarding Pakistan in the pursuit of common objectives such as enhancing Pakistan's economic and political stability.

IMPLICATIONS: Pakistan's civilian leaders, including President Asif Ali Zardari and Prime Minister Yousuf Raza Gilani, have said they are open to expanding cooperation with Washington. The current government feels threatened by both the expanding Muslim militancy in Pakistan and the devastating effect of the world economic crisis on Pakistan.

The recent deterioration of Pakistan's economy is driving Islamabad to cooperate with foreign governments and international institutions regarding terrorism and other issues. Pakistani officials lobbied hard for increased economic assistance from China, the United States, and the International Monetary Fund. The IMF eventually negotiated a \$7.5 billion rescue package with Pakistan.

Pakistani leaders have shared the interest of the Obama team in seeking to secure long-term international support for the Pakistani economy through increased investment and trade concessions rather than short-term infusions of aid. While in New York earlier this month, President Zardari said that his government is “not asking for fish,” but “for the equipment and want to do our own fishing” from the Friends of Pakistan, a group of countries that seek to assist Pakistan meet its economic, political, and security goals.

Yet, the unilateral American air strikes on suspected high-value terrorist targets living in northwest Pakistan territory continue to cause problems. Pakistani officials vehemently challenged a recent Washington Post article in which unidentified U.S. officials claim that the Pakistani and American governments had negotiated a “tacit agreement” in September regarding the issue. The deal supposedly permitted U.S. missile strikes by unmanned aerial vehicles against anti-American targets in the Federally Administered Tribal Areas

(FATA). Pakistani officials agreed to limit their response to public criticisms, without pursuing stronger forms of retaliation. In return, American officials would neither confirm the strikes nor comment on Pakistani protests and related declarations.

The United States also supposedly agreed to suspend raids of U.S. Special Forces on Pakistani territory. One of these strikes - on September 3, when U.S. helicopters attacked a suspected terrorist base in Pakistan's South Waziristan region, killing over a dozen people - evoked widespread condemnation in Pakistan. Army Chief of Staff Gen. Ashfaq Kayani subsequently threatened to shoot down any helicopters transporting American soldiers through Pakistani airspace without permission.

Pakistani officials have challenged CIA chief Michael Hayden to provide proof to substantiate his recent statement that Osama bin Laden was in Pakistan. A Pakistani government spokesperson stated that, "We have no intelligence and if there is any actionable intelligence the United States should share it with us, and we will act on it." Despite their efforts to depreciate the bin Laden threat, Pakistani officials have requested that the United States supply high-tech equipment that will enhance Washington's ability to counter infiltration across the Afghan-Pakistan border as well as to fight terrorists active in Pakistan.

CONCLUSIONS: The policies advocated by Obama's advisers do not represent as sharp a break with the Bush administration as its supporters imply. The Bush administration has

sought to address Pakistan within a regional context, provided both economic and military assistance, and used multilateral as well as unilateral tools. For example, the current U.S. government has authorized 750 million USD in aid for the FATA under its Sustainable Development Plan and has sought to promote initiatives under the Friends of Pakistan Group and other multilateral bodies, many of which also involve Afghanistan. The strategy under consideration would represent a change of emphasis but not a fundamentally new approach to Pakistan.

In addition, how the Obama administration might respond to conflicts among these goals is unclear. For example, an urgent task is stabilizing the military situation in the FATA as well as along the Afghan-Pakistan border. However, conducting unilateral American strikes in the area threatens to weaken support for the new Pakistani government, which the Obama team views as the best partner for American counterinsurgency operations in the region. On October 22, the Pakistani legislature adopted a joint statement endorsing an "independent" foreign policy for Pakistan and supporting the government's opposition to encroachments against Pakistani territory by foreign militaries. Zardari reportedly pleaded with Obama to curtail the unilateral U.S. air strikes when he first spoke with Obama after the Senator's election.

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FIELD REPORTS

ARMENIAN GOVERNMENT COUNTERS THE GLOBAL ECONOMIC CRISIS

Haroutiun Khachatryan

On November 12, Armenian Prime Minister Tigran Sargsyan unveiled the main principles of action of his government, which are expected to mitigate the effects of the global economic crisis on the Armenian economy. Its main measures are to encourage small and medium businesses, and boosting the purchasing capacity of the population through increased government involvement in the economy.

The government sees three main risks to Armenia emanating from the global crisis, and the expert community shares this vision. These include first, a drop in prices for important Armenian exports goods, first of all copper and molybdenum. This process has already started, as by September-October, the prices for these metals had dropped by 50% from the level of early 2008, resulting in a reduction of their production in Armenia and a loss of some 2,000 jobs. A second factor is the decrease in foreign investment especially in the construction sector, which has been the most rapidly growing sector of the Armenian economy over the last five years; and third, decreased private remittances from Armenians living abroad to their relatives in the country. These remittances (some US\$2 billion a year) make up to 20% of Armenia's GDP and are a key factor in maintaining the living standards and purchasing power of Armenians. Their decrease is expected to follow the economic downturn in the countries of their origin, first of all Russia, where over 70% of this money comes from.

The measures suggested by Sargsyan are, in general, similar to the ones planned or applied by other governments. The government envisages providing

loan guarantees and subsidies to the companies in trouble. The government may even take a stake in certain companies. However, the criteria determining the eligibility of companies for receiving these funds have not yet clarified, except for the general requirement of accounting transparency and implying modern corporate governance principles. The government is reported to have prepared a special bill which will be adopted by the National Assembly later this year.

Contrary to most similar anti-crisis programs of other governments, Armenia does not plan to lower tax rates. This is not surprising, as the government has repeatedly failed to reach the expected tax collection rate (tax administration is poor and allows significant tax evasion). Thus, the government will continue its efforts to improve tax collection and accumulating a buffer in the budget to prepare for a worsened economic performance. The government has also started taking steps for improving the business environment for small and medium enterprises (SME), a sector providing more jobs than large companies. Along with technical support for existing and new businesses, the government will extend low-interest loans to this sector, and an initial agreement has been reached with the World Bank to provide US\$250 million to the Armenian government early next year for this purpose. Last week the government already provided US\$50 million of its own funds for extending concession loans to SMEs.

Another way to stimulate economic activity and create jobs is, according to the Prime Minister, to boost infrastructural projects. In addition to

previously declared (and partly initiated) projects of building new power-generating capacities, including a new nuclear power station, Armenia will activate road construction projects. The government hopes to secure loans from the Asian Development Bank for constructing rural roads and a new highway connecting the Georgian port of Batumi to Iran through the western part of Armenia.

According to Sargsyan, Armenia also hopes to receive funding from an unusual source, namely the funds of Diaspora Armenians, who can use the Armenian banks a safe haven during the financial turmoil elsewhere. The Armenian banking system is in fact in a rather unique situation, as the banks are solvent well above the usual adequacy standards, which makes their bankruptcy highly unlikely. At the same time, they have little foreign debt, which makes them independent of the crisis-hit world financial markets. These two factors, together with the relatively small public debt of Armenia, may make investments in Armenian banks quite a good option. In addition, the government plans to create a specific commercial structure, the so-called All-

Armenian bank, which is expected to enable the Diaspora Armenians to invest their free cash in the profitable assets of their historical homeland. The government still has to persuade Armenians worldwide that investing in the Armenian banking system is both safe and profitable. If successful, this will be another step toward one of the ambitious goals of Tigran Sargsyan's government, namely to form a regional financial center in Armenia.

Finally, the government plans to sharply increase the public spending to create jobs and provide more people with incomes in the conditions of the coming crisis.

Between 2001 and 2007, Armenia was one of the most successful economies in the world with an annual GDP growth rate over 10% (9.3% in January-October 2008). Experts predict that during next year, the growth will hardly exceed 5 percent. Under these conditions, the government's biggest challenge is affording its ambitious program.

BERDIMUHAMMEDOV SEEKS CLOSER PARTNERSHIP ON HIS VISIT TO EUROPE

Chemen Durdiyeva

On November 13, Gurbanguly Berdimuhammedov paid a five day state visit to Germany and Austria. Domestically, Berdimuhammedov's visits to these European countries, accompanied by a state delegation of 170 people, have largely been viewed as a major breakthrough in Turkmenistan's foreign relations. However, for these tours to become helpful for Turkmenistan's economy and its population, tangible and concrete reform needs to be pursued domestically as well.

On the first day of the visit, a Turkmen-German economic forum took place in the Adlon hotel in Berlin. Berdimuhammedov delivered a speech in German and a presentation on investment

opportunities in Turkmenistan to an audience of German and European company representatives. In particular, the Turkmen leader called for participation in projects in Turkmenistan's energy and agricultural sectors. Referring to the natural gas reserves of eastern Turkmenistan recently audited by the British firm Gaffney, Cline & Associates, Berdimuhammedov said the audit results once again proved Turkmenistan's reputation as one of the world's biggest energy producers. At a press conference after her meeting with the Turkmen leader, the German Chancellor Angela Merkel told the reporters that there is a "significant potential" for both sides to cooperate in the energy sector and

that Germany is willing to help Turkmenistan use this potential to enhance the country's infrastructure in the gas and oil sectors in particular. Within this context, the German Chancellor also spoke of closer cooperation in the development of joint projects in transport and engineering.

Currently, Turkmenistan exports around 50 bcm of natural gas to Russia, 8 bcm to Iran and is planning to pump 30 bcm to China from October 2009. It is also in the process of negotiating the trans-Afghan pipeline that will take Turkmen blue fuel to India through Pakistan. Diversifying the export routes for its energy resources is one of Berdimuhammedov's prioritized policies and reducing Europe's dependence on Russia's gas is in Germany's interest as well. The export of 10 bcm of gas to Europe annually through Baku was agreed during Berdimuhammedov's previous visit to Brussels but the *Nabucco* pipeline purposed to transport Caspian gas to Europe appears to be far from realization, especially after the war in the Caucasus. But according to high-ranking government officials who met Berdimuhammedov in Berlin, Germany's interests in Turkmenistan are not limited to natural gas only but involves buying fuel and providing services in the energy sector as well. This was especially noted by the German Minister of Economy and Technologies Michael Gloss, who visited Turkmenistan in February 2008, "as far as Turkmenistan with its vast oil and gas resources is concerned, German business circles are particularly interested in cooperation in the sphere of fuel and energy."

The Turkmen-German partnership appeared to have reached a new level as Berdimuhammedov received a series of new business offers at a business forum with the heads of big German and international companies such as BMW, Siemens, AGFA, MAN, EADS and Microsoft in Munich. Berdimuhammedov said that Turkmenistan has a positive experience of cooperation with German companies and would favor their further expansion on the Turkmen market. According to foreign

media sources, more than 40 German firms are currently active in the country. Siemens Medical, one of the world's leading companies has long been providing the clinics, diagnostic centers and hospitals in Ashgabat with high quality equipment and medical supplies. A medical doctor by profession, President Berdimuhammedov was thoroughly interested in the exposition "Medical Equipment of Tomorrow" organized during the Turkmen delegation's visit.

During talks on investment in the Turkmen economy, the Turkmen leader also emphasized the strategic importance of Germany's contribution to the development of Turkmenistan's education sector. The German scientists participating in the forum also expressed their specific ideas for reforming the educational system in Turkmenistan and the Turkmen leader announced the opening a Turkmen-German university in Ashgabat.

The President's visit to Germany and his agreements with the German government did not take place without criticism from human rights watchdogs. Marianne Heuwagen, the head of Human Rights Watch in Germany, said Chancellor Angela Merkel should have stressed human rights violations in Turkmenistan and expressed her disappointment by Merkel's "apathy" toward the Turkmen leader. But considering the financial crisis and Europe's growing need for energy resources, raising issues of human rights and civil society development in Turkmenistan appears to be out of question for the time being.

All in all, whether the President's tour of Europe will bring about changes will depend on how the presidential subordinates at a ministerial level implement the agreements reached in Germany and Austria. President Berdimuhammedov has been concluding grandiose agreements in all of his state visits lately but little has been done in implementing those agreements in the country. Moreover, specific measures in guaranteeing investor rights also need to be taken to bring European investors to Ashgabat.

UZBEKISTAN CUTS TERM FOR MILITARY CONSCRIPTION

Erkin Akhmadov

On 20 November 2008, the President of Uzbekistan approved the decree “On Measures for Improvement of the Conditions for Passing Military Conscription in the Armed Forces of the Republic of Uzbekistan”. From 2009 the term will last twelve months as opposed to the previous 24 months, and the conscripts will be drafted only once a year. Among the major reasons for this decision is a willingness to depart from old Soviet standards that have proven inefficient and unneeded in the perspective of the state’s ongoing reformation. In light of ongoing reforms especially in the Military Service sector, the decree will supposedly bring more incentives to serve the term and create a dignifying image of Uzbek military service.

The issue was first raised in 2002, when President Islam Karimov addressed it during a Parliamentary session. He was then mainly concerned over how to make conscription service a prestigious activity and what should be done to avoid conscription evasions. It seems that a solution was found and approved this year – to cut the conscription service term.

Several explanations were given for this decision. The authorities referred to the positive experience of a shorter conscription term in such developed states as Germany, Denmark, Spain, Norway, Poland and Austria, where it does not exceed twelve months. As the text of the decree suggests “the current practice of drafting conscripts twice a year (in the spring and the autumn) is mainly dictated by the old Soviet system of drafting, when the conscription term constituted twenty four months”. Thus, besides the argument that the old system creates many problems, there is a clear message that Uzbekistan wants to depart from old Soviet practices.

It is further stated that a twelve month period is sufficient for conscripts to learn the basics of military service. Moreover, the authorities assume that this should be the right period of time for a young man to decide his life path. Another major

advantage of shortening the term is blurring the line between “new conscripts” and “old conscripts”. Violence against younger conscripts is one of the biggest problems in the armies of most post-Soviet states and a term of one year will remove this division.

In line with the abovementioned stimulators to serve in the army, there will be a conscripts’ official salaries will be doubled. Furthermore, the decree suggests conscripts will now be drafted based on the system of competitive selection that “will ensure transparency and effectiveness of public control” of the drafting commissions. The commissions shall include representatives of local state authorities, of the public, of the social youth movement “Kamolot”, of the Women’s Committee, and of the “Nuroni” and “Makhalla” funds.

No doubt, the decree constitutes a major step in the large-scale reformation of Uzbekistan’s conscription drafting system that has been ongoing for several years now. By addressing issues of major concern for the conscripts, the plan will probably be successful in reducing the number of conscription evasion cases. In the short term, selectivity and good conscript wages might even make it prestigious to be a conscript in Uzbekistan. Interestingly enough, the decree does not give a concrete explanation for how conscript drafting will be performed within the new system. If a competitive selection scheme is adopted, this raises questions concerning both the criteria for selection and ensuring that enough young men will apply. In fact, the whole process of conscription drafting becomes unclear.

However, there is another factor of high importance for young men in Uzbekistan. As in many other countries of the world, conscription is mandatory for everyone who aims to have a serious career in government. Thus, representatives of certain groups in society are more interested in being drafted than others. It would be wrong to assume that from now

on only those who aim for careers in government will become conscripts, but still this may well be the case. Thus, instead of bringing transparency and public control, the system actually leaves many aspects of conscription unclear.

Hopefully the decree will become more effective in the future and provide the necessary conditions for

young men in Uzbekistan to consider serving a term in the Uzbek army as an honor. A shorter term of service and any payment for it would ultimately make it attractive to a bigger number of potential conscripts.

KYRGYZ MINISTER OF ENERGY SACKED, BUT CORRUPTION CONTINUES

Erica Marat

On November 25, Kyrgyz President Kurmanbek Bakiyev sacked Minister of Energy Saparbek Balkibekov. The decision came amid split in the pro-regime Ak Zhol party over the worsening crisis in the hydro-energy sector. Several Ak Zhol members have publicly questioned the president whether the crisis was caused by corruption among high-ranking officials.

Bakiyev replaced Balkibekov with Ilyas Davydov, a senior hydro-energy engineer who has an ambiguous reputation. Several Kyrgyz experts have rushed to call this cadre change as a bargain of one trouble to another, as Davydov is infamous for his previous involvement in petty corruption deals. It seems that by removing Balkibekov, the president calmed concerns within his party but did not eliminate corruption in the sector.

The current catastrophically low water level in the Toktogul Reservoir and constant malfunctioning of the Bishkek thermal energy station TETS-1 that requires urgent repairing caused shortages of electricity throughout the country. Yet, the main cause of the crisis remains to be poor management and pervasive corruption in the sector. Corruption continued throughout this year despite that the crisis became most devastating in decades.

The crisis is rapidly turning into Bakiyev's main concern since even his closest supporters from the party were divided about solution to the problem.

As far as opposition groups, the crisis also became their central allegation against Bakiyev's regime.

Bakiyev's removal of Balkibekov shows the president's attempt to stay on top of the power amid gathering rage in the populace. Balkibekov's reputation has been long associated with corruption in the hydro-energy sector. By eliminating Balkibekov from the scene Bakiyev hoped to prevent further accumulation of anger against his leadership, not least in his own political party.

Meanwhile, rolling blackouts have been continuing in Kyrgyzstan with ten to 14 hour electricity shutoffs a day. The shutoff period will increase to 20 hours in the coming weeks, according to government reports. The crisis is hurting the country's economy as most businesses are bound to reduce their activity or shut completely. Several cases of deaths related to lack of electricity in hospitals were reported already.

Several sporadic protests broke out in Bishkek outskirts demanding the government provide electricity. The crowds were peacefully dispersed by representatives of the local government. But knowing the public frustration with the crisis, some opposition forces are seeking to mobilize more supporters to stage bigger protests against the regime. In particular, opposition members Azimbek Beknazarov, Topchubek Turgunaliyev, Nurlan Motuyev, Anvar Artykov, and former Ombudsman

Tursunbai Bakir Uulu have pledged to remove Bakiyev by any means, including mass protests. Although not offering concrete policy recommendations or solutions to the crisis, the leaders are nevertheless able to use the crisis in their own political ambition.

Another influential group of opposition members comprised of former parliament speaker Omurbek Tekebayev, the leader of the Akshumkar party Temir Sariev, the Social Democratic Party, Omurbek Babanov, and former foreign minister Alikbek Jekshenkulov condemn the crisis as well, yet prefer more peaceful ways of dealing with it.

Balkibekov is likely to continue his career in the hydro-energy given that he is considered by Kyrgyz

analysts to be among the masterminds of corruption schemes in the sector. As one Kyrgyz experts comments, Balkibekov is a third person in the informal hierarchy to benefit from corruption. The first two, allegedly, are Bakiyev's son Maksim and former financial director of Elektricheskiye Stantsii Aleksey Shirshov. Incumbent Prime Minister Igor Chudinov is purportedly another major player in the sector. This collection of men, including the president, is often informally referred to as an "energy mafia" in Kyrgyzstan.

The established corruption schemes provide tens of millions of illegal benefits to the few people involved in the sector are difficult to trace, let alone prevent. Davydov is therefore a mere figurehead in

the government who would be able to benefit from his new government post with higher remuneration, but unable to alleviate the crisis.

Exactly how long Bakiyev will be able to prevent the opposition and mass public unrest remains unclear. But his cadre politics remains populist and short-sighted. To secure his hold on power the president needs, above all, try to restrain his and the "mafia's" appetite in eating up the country's most important resources at times of crisis.



(BBC)

NEWS DIGEST

AFGHAN SUICIDE BLAST KILLS 11; TWO BRITISH SOLDIERS DEAD

13 November

A suicide car-bomber has attacked a convoy of U.S.-led troops in eastern Afghanistan, killing 11 people, including a U.S. soldier, and wounding 58, the U.S. military said. Earlier, a U.S. military spokesman said 20 people had been killed in the attack on the outskirts of the eastern city of Jalalabad, near the border with Pakistan. Afghanistan is facing its worst spell of violence this year, the bloodiest since the Taliban's overthrow in 2001, raising fears about the success of international efforts to bring peace and to develop the country. Interior Ministry spokesman Zemarai Bashary said the bomber rammed his vehicle laden with explosives into the convoy as it went through a crowded market just outside Jalalabad. Ten of those killed in the suicide bombing were civilians as were the 58 wounded. "The enemies of Afghanistan committed another barbaric act today," Bashary said, referring to Taliban insurgents and their Al-Qaeda allies. Separately, two British soldiers were killed in the southern province of Helmand while on patrol on November 12 with Afghan soldiers, when their vehicle was blown up by a bomb, the British Ministry of Defense said. Also on November 12, suicide bombers struck in the southern provinces of Helmand and Kandahar, killing more than 10 people. Taliban spokesmen could not be contacted for comment. (Reuters)

UZBEKISTAN'S SMALL FARMERS UNHAPPY WITH LAND REFORMS

14 November

Many Uzbek farmers are complaining about land-reform plans that are forcing small farms to merge with larger ones. The head of the Human Rights Initiative Group of Uzbekistan, Surat Ikromov, told RFE/RL's Uzbek Service that government officials in various parts of Uzbekistan are forcing farmers to give up land that they lease from the state. He said that "land is simply being confiscated from farmers by threats and by force." Ikromov said officials cite

a decree by President Islam Karimov to justify the land seizures. According to the alleged decree, farms with less than 80 hectares should be given to larger farms. There are officially more than 215,000 private farms in Uzbekistan employing about 1.5 million people. Ikromov said there are fears that this "collectivization" of land could severely reduce the number of farms, leading to massive unemployment. (RFE/RL)

AZERBAIJAN, KAZAKHSTAN AGREE DEAL ON OIL TRANSPORT

15 November

The state-run energy companies of Kazakhstan and Azerbaijan have agreed to set up an oil transport system across the Caspian Sea to help move Central Asia's energy reserves to Western markets. The system would use tankers and barges to bring oil from Kazakhstan to Azerbaijan, the starting point for the Western-backed Baku-Tbilisi-Ceyhan pipeline which bypasses Russia to deliver oil through Azerbaijan and Georgia to Turkey. Reports say shipments are planned to start in 2013. The announcement was made as the leaders of Azerbaijan, Georgia, Turkey, Lithuania, Poland, Ukraine, and senior officials from other nations held an energy summit in Baku. Most summit participants signed a declaration backing the development of pipelines to supply Europe that bypass Russia. U.S. Energy Secretary Samuel Bodman said at the summit that he is confident the incoming administration of President-elect Barack Obama will maintain U.S. interest in Central Asia and the Caspian and continue efforts to diversify export routes for the region's oil and gas. (RFE/RL)

TALIBAN REJECTS AFGHAN LEADER'S SAFETY VOW

17 November

A Taliban militant leader has rejected an offer from Afghan President Hamid Karzai of safe passage for insurgent leaders who wanted to talk peace. Karzai, back from a trip to Britain and the United States, said on November 16 he would guarantee the safety

of Taliban leader Mullah Mohammad Omar if he was prepared to negotiate. With the Taliban insurgency intensifying seven years after the hard-line Islamists were forced from power, the possibility of talks with more moderate Taliban leaders is increasingly being considered, both in Afghanistan and among its allies. The Afghan government says it is willing to talk to anyone who recognizes the constitution. The Taliban have ruled out any talks as long as foreign troops remain in Afghanistan. Karzai said on November 16 that condition was unacceptable. Mullah Brother, deputy leader of the Taliban, rejected Karzai's offer of safe passage and again said foreign troops had to leave before negotiations could start. "As long as foreign occupiers remain in Afghanistan, we aren't ready for talks because they hold the power and talks won't bear fruit.... The problems in Afghanistan are because of them," Brother said. "We are safe in Afghanistan and we have no need for Hamid Karzai's offer of safety," he told Reuters by satellite telephone from an undisclosed location, adding that the Taliban jihad, or holy war, would go on. Violence in Afghanistan has surged over the past two years, raising doubts about prospects for the country and Western efforts to establish peace and build a stable state. Some 70,000 foreign troops, around half of them U.S., are struggling against the Taliban, whose influence, and attacks, are spreading in the south, east and west. (Reuters)

AZERBAIJAN'S TERRITORIAL INTEGRITY MUST NOT BE DAMAGED - AZERI OFFICIAL

17 November

Azerbaijan is ready to grant "a broad status" to Nagorno Karabakh within Azerbaijan's territorial integrity, said Novruz Mamedov, the head of the presidential staff's foreign relations department on Monday. "Baku has always been ready to grant any status to Nagorno Karabakh within the framework of Azerbaijan's territorial integrity. We could grant Nagorno Karabakh the broadest possible status only in the framework of sovereignty, independence and territorial integrity of Azerbaijan," Mamedov said. Azerbaijan's position is based on the current world practice, he also said. "The country's territorial integrity must not be violated. This is not being discussed so far. Concerning national self-determination, Armenians did decide on this once already. The world will never accept the emergence of Armenian states whenever Armenians live. No one will accept this.

Azerbaijan will never recognize this, either," Mamedov said. (Interfax-Azerbaijan)

TWO KILLED IN BLAST AT S.OSSETIAN BORDER

17 November

Explosion in the village of Plavi at the South Ossetian administrative border killed two Georgian de-miners and injured nine other people, including a ten-year-old boy, the Georgian Ministry of Internal Affairs said on November 17. The ministry said in a statement that at about 3pm local time on November 17 a Russian unmanned reconnaissance drone crashed in the village, which is located on the Georgian side of the administrative border in the south-east from the breakaway region's capital Tskhinvali. It said that explosive went off when a team of the Georgian Interior Ministry's de-mining unit arrived on the scene to study the crashed drone. Two other de-miners and six policemen, as well as ten-year-old local villager who were at the scene were also wounded, according to the Interior Ministry. (Civil Georgia)

DUSHANBE'S MAYOR DEMANDS EXPLANATION AFTER POWER SHORTAGES

18 November

The Dushanbe mayor is demanding that the local electricity provider explain the "unexpected electricity shortages" in the capital that led to complaints of heating problems. Mayor Mahmadsaid Ubaidulloyev's office has requested that police help investigate nearly 300 complaints this week from Dushanbe residents about heating problems. Sherali Gulov, a spokesman for the Barqi Tojik electric company, told RFE/RL's Tajik Service that the complaints are baseless because the city's heating system uses natural gas, not electricity. Tajikistan has suffered major power shortages during the winter for many years. Last year's severe winter coupled with the energy shortage led to the deaths of dozens of Tajiks across the country, including many newborns. (RFE/RL)

IRAN AIMS FOR 2009 LAUNCH OF NUCLEAR PLANT

18 November

Iran is aiming to commission its first nuclear power plant in 2009 after years of delays, the official IRNA news agency has reported. Russia has already delivered nuclear fuel under a \$1 billion contract to build the Bushehr plant on the Gulf coast in

southwest Iran. But the start-up timetable has frequently been put back because of issues such as a row over payments. Russia agreed to build the plant in 1995 on the site of an earlier project begun in the 1970s by German firm Siemens. The Siemens' project was disrupted by Iran's 1979 Islamic Revolution and the 1980-88 Iran-Iraq war. "The commissioning stage of Bushehr nuclear power station has begun and we are hopeful the power station will be commissioned in 2009 as per the agreement we have had with the Russian party," the spokesman for Iran's Atomic Energy Organization, Mohsen Delaviz, was quoted as saying. He did not give a more precise date. "There is a good environment prevailing in our relations with the Russians and we are hoping they will honor their commitments," he added. Atomstroyexport, the Russian firm building the plant, said in September the plant was nearing completion and that it would start "technological work" in December 2008 to February 2009 that would put the plant on an "irreversible final" course. Analysts say Russia has used Bushehr as a lever in relations with Tehran. It had previously said it expected the plant to start up some time this year. Iran is at loggerheads with the West over its nuclear program that Tehran says has only civilian aims but which the United States and its allies say is a smokescreen for building atomic weapons. (Reuters)

TRANS-CASPIAN OIL ARTERY DEVELOPING

19 November

The 1.2 million barrels of Kazakh oil carried through the Baku-Tbilisi-Ceyhan pipeline is the first step of the expansion of the Caspian energy infrastructure. The State Oil Co. of Azerbaijan and the Kazakh state-owned KazMunaiGas agreed Nov. 14 on the basic foundations of the Trans-Caspian pipeline network. The proposed 435-mile network will bring oil from the Kashagan oil field in Kazakhstan to the BTC, bypassing Russia. The state statistics committee in Azerbaijan said October deliveries of oil from Kashagan reached 1.21 million barrels, while total deliveries through the BTC were up 22 percent from October compared with 2007, the Azerbaijan Business Center reported Wednesday. The joint agreement between Kazakhstan and Azerbaijan calls for the creation of a joint venture to launch a feasibility study and future construction and operations of the \$3 billion Trans-Caspian project. The Trans-Caspian project includes a tanker transportation system through terminals in

both countries with an initial capacity of 500,000 barrels of oil per day and a final volume estimated at 1.2 million barrels per day. (UPI)

U.S. COMMANDER IN AFGHANISTAN PUTS FORWARD RECONCILIATION PLAN

19 November

The top commander of NATO and U.S. forces in Afghanistan has recommended a plan to stem growing violence by empowering local Afghan leaders, including former Taliban members. "That is the local leadership that we have to work with for a successful outcome in Afghanistan," U.S. Army Gen. David McKiernan said while advocating support for district governing councils that are willing to accept the Afghan constitution and reject the Taliban. "Reconciliation at the local level, of local fighters, of local influencers, potentially is a very, very powerful metric," he said in remarks before the Washington-based Atlantic Council of the United States. "This is a country that historically has had very little central government. But it's a country with a history of local autonomy and local tribal authority systems." McKiernan laid out details of the strategy for engaging what he called "small-t" Taliban members, saying he is already talking to Afghan ministers about a prototype plan that would assemble district leaders into a shura, or tribal council, backed by Western development aid. Reconciliation with some Taliban members has already been embraced by U.S. officials as a possible antidote to surging violence that has reached its highest level since the 2001 U.S.-led invasion toppled Afghanistan's former Taliban regime. U.S. military officials have conceded that the United States is not winning in Afghanistan and that a 70,000-strong Western military force cannot succeed without political, diplomatic and development assistance for the local populace. "We're not going to run out of bad people in Afghanistan that have bad intentions and we're not going to kill and capture so many of these bad people that it's going to break the will of all the insurgent groups," McKiernan said. "Ultimately, it's going to be people that decide that they want a different outcome in Afghanistan. It's going to be a political outcome," he said. McKiernan likened his plan to the so-called Awakening Council movement in Iraq, which began when local Sunni tribesmen in western Iraq chose to join U.S. forces against Al-Qaeda militants. He said the plan he has discussed with Afghan ministers calls for Kabul to assemble local leaders into a shura council that would then

select a representative committee with backing from the United States and the international community. (Reuters)

SOME DETAILS OF PLANNED INTERNATIONAL PROBE INTO WAR REPORTED

20 November

EU is expected to adopt a wide-ranging mandate for the commission that will investigate the causes of the August war and the commission is expected to put conclusions on November 30, 2009, the Brussels-based EUobserver.com reported. "The mission's objective will be to enquire into the origins and evolution of the conflict that started on 7 August 2008, with reference to international law and human rights law. The geographic and temporal scope of the enquiry must be sufficiently large to determine all the possible causes," the EU's draft decision on the enquiry says, a diplomatic source familiar with the text told EUobserver.com. The commission, which will be chaired by a Swiss diplomat Heidi Tagliavini, who was UN's envoy in Georgia in 2002-2006, will have to present its final report to the EU, the UN, the OSCE, Russia and Georgia next November. Eka Tkeshelashvili, the Georgia's foreign minister, reiterated on November 19 that Tbilisi was open for international inquiry into the war. She, however, stressed that Tbilisi wanted a comprehensive approach to the matter. "We have called for the international probe shortly after the war not only into what has happened immediately before and during the conflict, but also to broadly investigate and analyze what has been happening years before the conflict. Russia's actions in previous years clearly indicate on how Moscow was preparing ground for what eventually has happened [in August]," Tkeshelashvili said. In her testimony before the Georgian parliamentary commission studying the August events, Tkeshelashvili said on October 25: "Any type of international investigative commission's mandate should involve a probe of not only the August events, but also an in-depth study of the ethnic cleansing, which was carried out not only in August, but also in the early 90s. A failure by the international community to investigate the first wave was to a certain extent a cause for the most recent ethnic cleansing." (Civil Georgia)

ARMENIAN PRESIDENT, POLITICIANS DISCUSS KARABAKH SETTLEMENT

20 November

Armenian President Serzh Sargsyan has met with Armenian politicians to discuss the current stage of the Nagorno-Karabakh conflict settlement. "These discussions will promote understanding of the opinions and approaches and will help work out a single position on certain issues," said Sargsyan. "Such a mechanism will promote the political decision-making process," he said. Members of the opposition Armenian National Congress, which is led by former Armenian president Levon Ter-Petrosian, did not take part in the meeting. (Interfax)

SOCAR TO DELIVER GAS TO GEORGIA

21 November

Tbilisi signed a five-year contract with Baku to receive 80 percent its natural gas supplies from the State Oil Co. of Azerbaijan Republic, officials said. SOCAR delivers some 53 million cubic feet of natural gas to Georgia each day, with about 65 percent coming from the offshore Shah Deniz field in the Caspian Sea. Georgian President Mikheil Saakashvili said he views the deal as a way to provide stable and secure prices for gas for his country, the Embassy of Azerbaijan in Washington, D.C., said on its Web site. Energy security was destabilized in August during a conflict between Russia and Georgia over the breakaway republic of South Ossetia. Georgia hosts the Baku-Tbilisi-Ceyhan oil pipeline, the second-longest in the world. Russia has moved aggressively into the European energy sector as European Union states struggle to find alternatives to Russian natural resources. (UPI)

POLISH PRESIDENT VISITS GEORGIA

23 November

Lech Kaczynski, the President Poland, arrived in Tbilisi on November 23 on the fifth anniversary of Rose Revolution. Last time Kaczynski visited Georgia was on August 12-13 along with the leaders from the Baltic states. The Polish President also was in Tbilisi to attend the ceremonies marking Georgia's Independence Day on May 26 and also on November 23, 2007. The Polish Foreign Ministry announced that Warsaw would allocate EUR 2.5 million aid for Georgia in 2009, Polskie Radio reported on November 23. The Foreign Ministry also said, according to this report, that Poland was

intending to spend total of EUR 6 mln for Georgia till 2010. (Civil Georgia)

SHOTS HEARD CLOSE TO POLISH, GEORGIAN LEADERS' CONVOY

23 November

Shots were fired when a motorcade carrying Georgian and Polish Presidents approached a Russian checkpoint at the Akhlagori section of the South Ossetian administrative border, the Georgian television stations reported on Sunday evening. Speaking at a news conference in Tbilisi Polish President, Lech Kaczynski said that he was not aware whether shots were "fired into the air or where." A Polish journalist asked President Saakashvili at the news conference how did it happen that the Georgian journalists were on the scene beforehand and whether the incident was staged. President Saakashvili responded that there were no Georgian journalists on the scene and the only cameraman on the scene was from his staff, who always accompanies him. He also said he would have never endangered the Polish President's life. The Georgian television stations aired a footage, which was shot from inside a car, which apparently was in the convoy. Although shots were heard in the footage, the television pictures were inconclusive and it was not possible to define from the video what exactly has happened. President Kaczynski said in a response to the Polish journalist's question: "Some may say now that it was staged by the Georgians, but that would be very unserious to say that, such an approach would be very unserious." "I appeal from here to my friends in the European Union and also to my friends in the United States and ask them to make proper conclusions from this incident before it is not too late," Kaczynski said and added that Russia was not fulfilling its ceasefire commitments. President Saakashvili also said that the incident was a clear reminder of Russia's continuing occupation of the Georgian territories. He said that the incident should be a reminder for those politicians in Europe, who, he said, thought Russia was more or less implementing its ceasefire commitments. (Civil Georgia)

LAVROV: PRESIDENTIAL CONVOY SHOTS TBILISI'S PROVOCATION

24 November

Russian Foreign Minister Sergey Lavrov said that Tbilisi's allegations about Russian soldiers firing shots when a motorcade carrying Georgian and

Polish Presidents was approaching a South Ossetian border was "yet another provocation" by the Georgian side. "This is a real provocation. This is not for the first time when such things are happening: they stage everything themselves and then accuse the Russian or Ossetian sides," Interfax news agency quoted Lavrov as saying on November 24. "Moscow thinks that it is a provocation, when the President invites to Tbilisi the President of another country and then takes him to another state," Lavrov added. The Russian Foreign Minister also said that if President Saakashvili seriously wanted to carry out security talks in Geneva, "he should stop his provocations." (Civil Georgia)

LEADER OF MOVEMENT AGAINST ILLEGAL MIGRATION ACCUSED OF FUELING ETHNIC HATRED

24 November

The Investigative Committee of the Russian Prosecutor General's Office has charged leader of the Movement Against Illegal Migration Alexander Potkin (Belov) with fomenting ethnic hatred. The Investigative Committee's department in western Moscow brought charges of fueling hatred and humiliating human dignity (Article 282 of the Russian Criminal Code) in Potkin's statements during the sanctioned Unity Day rally on November 4, the Investigative Committee's spokesman told Interfax. Potkin delivered a speech at the rally in which, as experts established, he spoke negatively about certain group of people, in particular Jews and natives of Central Asia and South Caucasus, as well as calling for hostile actions against these people. Potkin signed a written pledge not to leave. (Interfax)

MILITARIZING GEORGIA AGGRAVATES TENSIONS IN CAUCASUS - CSTO PA

24 November

By aiding Georgia to build up its military potential, the United States is turning that country into a hotbed of tensions in the Caucasus, says a report by the Defense and Security Commission of the Collective Security Treaty Organization's Parliamentary Commission. The report was released after members of the Commission visited the region, Vitaly Strugovets, spokesman for the CSTO Secretariat, told Interfax-AVN on Saturday. "The deputies believe that Georgia is actually evolving into the main destabilizing factor in the Caucasus region as it is building up its military potential with U.S. assistance and provoking

aggression in relation to South Ossetia and Abkhazia," Strugovets said. "The United States and its NATO allies' active strategic course to further reach into the Caucasus region, given its important geographical location, large reserves of hydrocarbons and routes of transporting them" rank among the main reasons why the political situation in the region has deteriorated, as members of the CSTO Parliamentary Assembly see them, he said. "The situation is being aggravated by the current socio-political instability in Georgia over the unpredictable steps, made by the country's political leadership last summer," Strugovets said. Among the factors which the deputies think has a negative impact on the military-political situation in the region, are the impasse in resolving the Karabakh problem, setbacks in the Middle East settlement, the tensions surrounding Iran and destabilization in Iraq. "The deputies stated that the military-political situation in the Caucasus region of the CSTO's collective security, remains tense with a trend towards further complication," he said. (Interfax)

SECURITY COUNCIL TO REVIEW AFGHAN MISSION

24 November

Members of the U.N. Security Council arrived in Afghanistan Monday as part of a mission to evaluate the country's progress toward peace. The U.N. Security Council delegation is being led by Italian Ambassador Giulio Terzi di Sant'Agata. The mission is an initiative by the United Nations to see firsthand what the security conditions are like in Afghanistan and the effectiveness of the rebuilding effort, the United Nations reported. The U.N. delegation is also in Afghanistan to evaluate governing institutions. Afghan government officials have been criticized by the U.N. Office on Drugs and Crime as corrupt for allowing the illicit trafficking of opium in the country. Di Sant'Agata and the rest of the Security Council team are expected to meet with Afghan President Hamid Karzai and other government leaders and review the progress of pledges to Afghanistan made by the international community. "Among its tasks, the delegation will review the status of international pledges made at the Paris conference in June, at which dozens of countries and organizations committed resources to help rebuild Afghanistan's infrastructure and advance peace, security and development," the release said. (UPI)

AZERBAIJAN TO HOST TURKMENISTAN'S GAS

25 November

Gas transport arteries through Azerbaijan will be available for Turkmenistan to transport its natural resources to European markets, officials said Tuesday. Azeri Energy Minister Natig Aliyev said from Vienna Tuesday his country was in a position to offer Turkmenistan the opportunity to export natural gas to Europe, the Trend Capital news agency reported. "We have built a powerful transit corridor and are in condition to present this corridor to Turkmenistan for exploitation," he said. Aliyev noted Europe was looking to Azerbaijan as a key energy hub as plans for the Nabucco pipeline develop. The European Union is looking to ease its dependence on Russian natural resources through the planned Nabucco pipeline from the Caspian region and Turkey. "In the first stage of the (Nabucco) project, the Azerbaijani gas will become a significant source so that other sources could join (later)," he said, cautioning his country cannot meet European demands exclusively. The \$12.4 billion Nabucco project should go online in 2013 to bring around 1.1 trillion cubic feet of natural gas to Europe each year. (UPI)

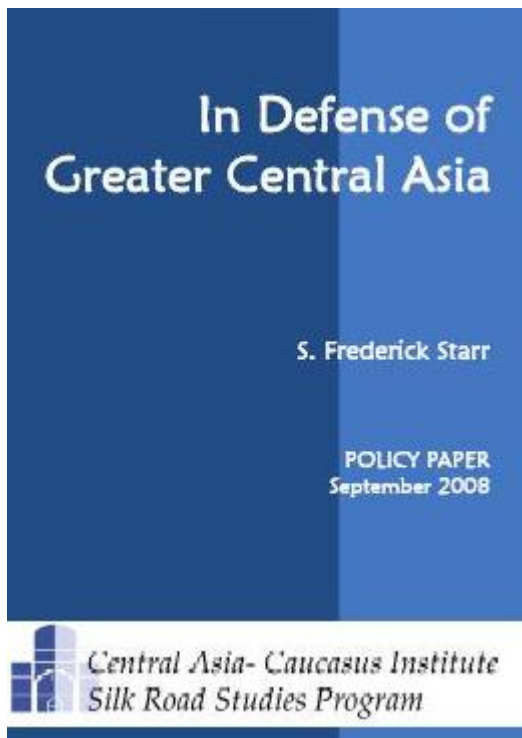
TBILISI REFUTES 'WAR CRIME' CLAIMS

29 October

BBC reported on October 28 that it had obtained evidence suggesting Georgia used indiscriminate force and may have targeted civilians in South Ossetia during the August war. BBC also reported that during its first unrestricted visit to the region, it had also seen homes in ethnic Georgian villages "not just burned by Ossetians, but also bulldozed." "We strongly deny any accusation of war crimes; but of course, we are very open for any kind of comments, we are very open for any kind of investigation," President Saakashvili told BBC. "We called for the international investigation into conduct of this war, in the conditions leading to this war, into circumstances leading to this invasion." "When you are talking about indiscriminate use of fire, we have clear-cut evidence that town of Tskhinvali was shelled from dozens and maybe hundred [of times] – but dozens we can prove at this moment with video footage as well as documentary evidence from the Russian army and from the Russian journalists indeed – by the Russian troops for several days." "There were certainly war crimes committed, certainly not by us and certainly we want

investigation of those war crimes; we demand that that people who are responsible for those war crimes are brought to international justice,” Saakashvili added. British Foreign Secretary David Miliband told BBC that during his visit to Georgia he had raised “the questions that have been asked and raised about war crimes and other military actions by the Georgian authorities... We have acted in this without fear, without favour.” “I think the Georgian action was reckless, I think the Russian response was disproportionate and wrong... It's important that the Russian narrative cannot start

with Georgian actions; it has to start with the attacks on the Georgians from the South Ossetians and that is the tit-for-tat that got out of control. And that is the series of events that have landed us where we are.” BBC also reported that houses burnt in ethnic Georgian villages in the breakaway region “are now expected to be replaced by a brand-new housing complex with a cinema and sports facilities to be financed by the city of Moscow.” (Civil Georgia)



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