

EASTWEEK

ANALYTICAL NEWSLETTER
FOR EASTERN EUROPE, RUSSIA, CAUCASUS, CENTRAL ASIA

ISSUE 26(176)

29 JULY 2009

PUBLISHED BY

CENTRE FOR EASTERN STUDIES /

OŚRODEK STUDIÓW WSCHODNICH

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ANALYSES

Undemocratic presidential election in Kyrgyzstan

On 23 July a presidential election was held in Kyrgyzstan. It was won by Kurmanbek Bakiyev, the incumbent who was running for re-election. The opposition did not recognise the election and has accused the authorities of massive ballot rigging. The OSCE and European Union officials have expressed disappointment with the ballot, stating that the election did not meet democratic standards. Bakiyev's victory comes as no surprise, however, what is surprising is the scale of irregularities in the vote. Bakiyev, who came to power as a result of the Kyrgyz revolution and managed to subordinate the other centres of power and neutralise the opposition over the last four years, has now finally joined the club of Central Asia's authoritarian rulers. The election proves that at this stage, there is no alternative to Bakiyev's rule as the opposition is weak and divided, and the public tired with continuing political instability, while the continuity of Bakiyev's rule is in line with the interests of the main international actors.

The election campaign and the ballot

Five candidates ran for the president of Kyrgyzstan, of which two, the united opposition leader Almazbek Atambayev and independent candidate Zhenishbek Nazaraliyev, boycotted the election on the ballot day in protest against massive ballot rigging. However, their withdrawal on the day of the vote was illegal and both were anyway included in the election results presented by the Central Election Commission.

According to the official results published on 27 July, the election was won by the incumbent president Kurmanbek Bakiyev who garnered 76.12% of votes. His main rival Almazbek Atambayev had a showing of 8.41% of votes. The leader of the Ak-Shumkar opposition party Temir Sariyev came in third with 6.74% of votes.

OSCE observers have expressed strong criticism of both the vote and the campaign which preceded it. The Organisation has reported numerous irregularities in the voting lists, problems with vote counting and cases of repeated ballot casting. The campaign before the election had been particularly brutal – many journalists got beaten and members of the election staffs of opposition candidates had their homes broken into. Running for re-election, Bakiyev widely used the state apparatus in the campaign and during the vote to assure his victory. The OSCE's view has been backed by the European Union. On the other hand, observers representing the Shanghai Co-operation Organisation and the CIS mission have stated the election had been free and in keeping with the laws in force in Kyrgyzstan.

Weak opposition – no alternative to Bakiyev

The opposition's attempts to start protests against ballot rigging have failed: not more than five hundred persons took part in the illegal protest rally called on the election day in the capital, and in the town of Balykchy on lake Issyk-Kul a demonstration of around one thousand protesters was brutally suppressed by the security forces. Thus, the opposition's demands for a fresh election and its plans to stage a nation-wide protest campaign seem to be bound to fail.

The people are tired with the political chaos that has continued for years, and – unlike the warring opposition leaders – Kurmanbek Bakiyev, who has been in power since the Tulip Revolution in March 2005, is perceived by the public as the only guarantor of order. The main reasons behind Bakiyev's success are the people's need for stability and progressing disappointment and disillusionment with the political class.

The presidential election marks a symbolic end to the period of democracy in Kyrgyzstan. By successfully manipulating the election result Kurmanbek Bakiyev has ultimately joined the other Central Asian satraps. His re-election plays into the hands of Russia and the United States, which have military bases in Kyrgyzstan, as well as Kazakhstan and China, i.e. the countries economically involved in Kyrgyzstan, as it enables them to continue their original policy towards Bishkek thanks to the relative stabilisation in that state.

Anna Wołowska

Germany's RWE to invest in the gas sector of Turkmenistan

On 15 July, a daughter company of Germany's RWE signed an agreement with Turkmenistan, which lays down the conditions for the development of gas deposits in a part of the Turkmen section of the Caspian shelf. The agreement is a step forward towards the implementation of the plans to start gas exports from Turkmenistan to the West. RWE has established a bridgehead for further expansion in Turkmenistan's gas sector and improved its chances of playing the leading role in the export of Turkmen gas to the West within the Nabucco consortium. The conclusion of the agreement and RWE's other activities to promote the implementation of the Southern Gas Corridor demonstrate that Germany is implementing a policy to diversify gas sources and supply routes, and are part of a wider process whereby Berlin seeks to build closer relations with Ashgabat.

The first Turkmen-Western field development agreement

The Production Sharing Agreement (PSA) lays down the terms on which RWE will develop block 23 located in the Turkmen section of the Caspian shelf. Under the terms and conditions made known to the public, the company is authorised to explore the shelf for six years and then extract gas in the field for another twenty five years. RWE did not reveal what the potential gas reserves of block 23 are (the reserves of the entire Turkmen shelf are estimated at 2.2 to 4.5 billion m³).

The importance of the agreement for Turkmenistan

The agreement is enormously important for Turkmenistan, as the country has been stepping up efforts to attract foreign investors and diversify its gas export routes since president Gurbanguly Berdimuhamedow took over power in December 2006. And since the start of the gas conflict with Russia in April 2009, Ashgabat has been increasingly courageous in seeking closer co-operation with the West – for example, it has openly declared support for the projected Nabucco gas pipeline. Signing an agreement with Germany's RWE while the gas conflict with Russia is ongoing is a way for Turkmenistan to strengthen its position in the gas negotiations with Gazprom concerning the terms on which the exports of Turkmen gas could be resumed.

In the wider dimension, the agreement increases the likelihood that gas exports to the West will be launched. Because of its location, block 23 is a natural potential source of gas for the projected trans-Caspian routes and the Southern Gas Corridor promoted by the European Union.

The conclusion of the agreement with RWE also proves that in order to succeed in the dealings with Turkmenistan companies have to accept the conditions set by this state. Ashgabat's current energy strategy with regard to companies interested in gas exports to the West is that – under their PSAs – such companies may only invest in the shelf and have to develop the transmission infrastructures on their own (also in terms of financing).

The importance of the agreement for RWE and Germany

The agreement with Turkmenistan was intended by RWE as the first step towards building a position in that country. The German company has gained access to a potential source of gas in Turkmenistan and probably hopes for simpler access to Turkmenistan's larger gas fields (e.g. Southern Yolotan).

The agreement also marks another stage in the implementation of RWE's strategy, the objective of which is to launch gas supplies from the Caspian region, and potentially from Iran and the Middle East, as part of the EU-endorsed Southern Gas Corridor (cf. Appendix). The activities in Turkmenistan strengthen RWE's position in the Nabucco consortium, of which the company has been an active member since February 2008. RWE is also a shareholder (together with OMV, since December 2008) in the Caspian Energy Company consortium whose main task is to study the feasibility of transporting Turkmen gas from the Caspian coast to the West.

The activities of the German company, which is a private entity but, like E.ON and BASF, implements the federal government's energy policy, also demonstrate that Germany is consistently working towards greater diversification of the sources and supply routes of gas. Germany stepped up its efforts in this direction after the gas crises of recent years. Apart from lobbying for the strategic Nord Stream gas pipeline project, Germany also supports the construction of the Nabucco pipeline (Joschka Fischer, the former German foreign minister, became the project's chief lobbyist this June).

Extending the scope of co-operation to include the energy sphere consolidates Germany's position in Turkmenistan

The signature of the agreement between Turkmenistan and RWE is also part of a wider process whereby Germany develops closer relations with Turkmenistan. Germany has already established itself as Turkmenistan's most important European partner. A number of factors have contributed to this. The largest German companies started their expansion in Turkmenistan already in the 1990s, maintaining good relations with the Turkmen elite. Their privileged position is best illustrated by the signature, in May this year, of a strategic co-operation protocol between Siemens and the Turkmen government, under which the company has been designated as Turkmenistan's preferred partner in the development and modernisation of infrastructures in the energy, industry and healthcare sectors.

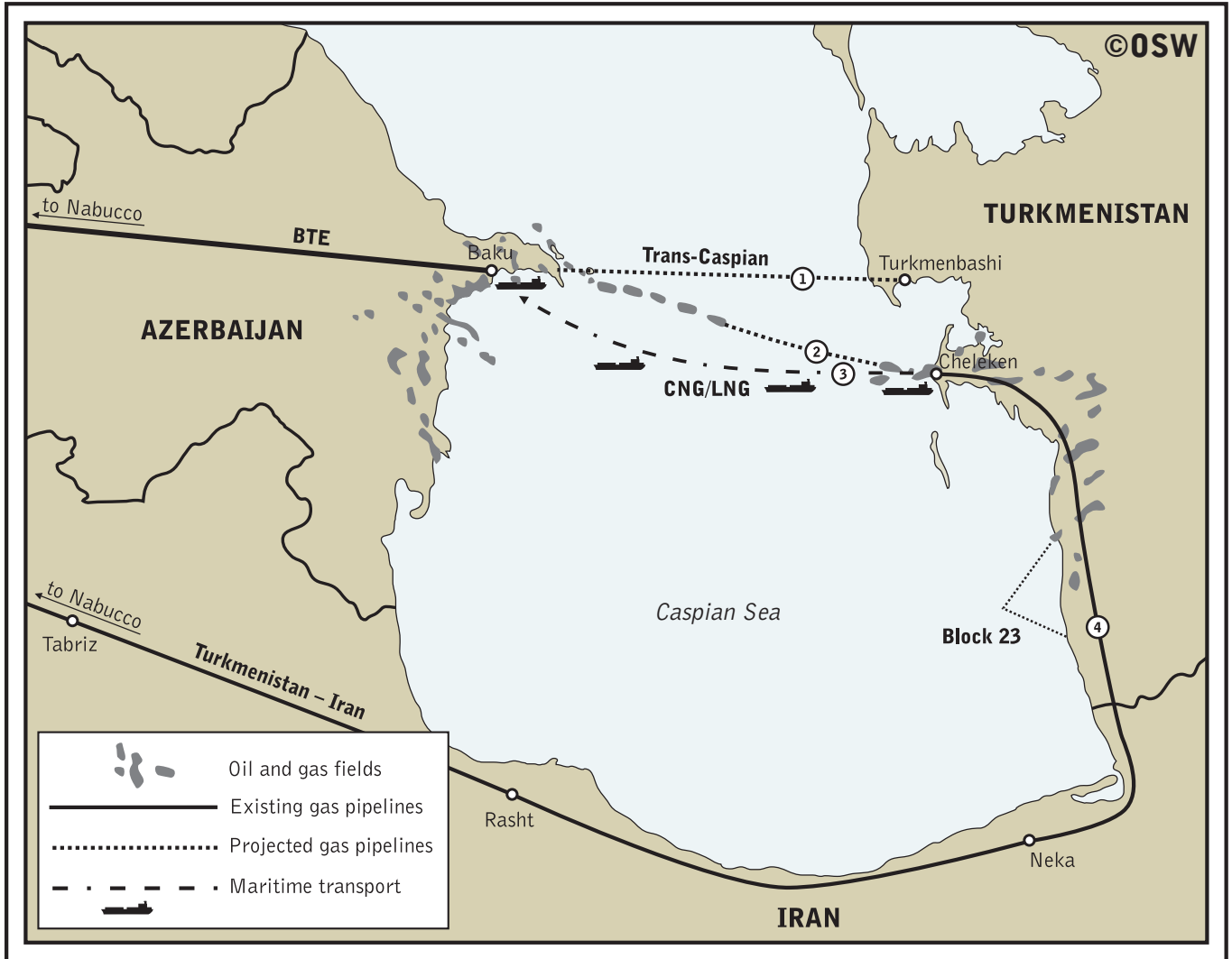
Moreover, the activities of private German companies in Turkmenistan have been receiving more and more political support in recent years. Such support is provided not only at the bilateral level (German politicians often join business delegations to Ashgabat) but also within the European Union. The EU Central Asia Strategy was adopted during the German presidency of the EU in 2007, and Germany has been lobbying actively for stronger co-operation with the region.

Thanks to its dynamically developing co-operation with Turkmenistan, Germany has not only become the main European partner for the countries of the region, but will also continue to set the tone of Europe's policy towards Turkmenistan and Central Asia in the future.

Aleksandra Jarosiewicz, Justyna Gotkowska

APPENDIX

Map. Possible variants for the transport of Turkmen gas to the West



1. The projected Trans-Caspian gas pipeline
2. The projected gas pipeline to connect Turkmen fields with the existing infrastructure in the Azeri section of the Caspian shelf
3. Maritime transport of gas as LNG or CNG
4. Transport of gas via Iran using existing gas pipelines

Source: RWE

EVENTS

The Russian economy in the first half of 2009

On 24 July, the Russian Ministry for Economic Development published the country's economic results for the first half of 2009. According to the Ministry's figures, Russia's GDP has declined by 10.1% (compared to the same period last year), and industrial production has dropped by 14.8%. These results position Russia among the countries most severely affected by the global economic crisis, however, with its reserves, which go into billions, the Russian government is still able to maintain its expansive budget policy.

According to the figures published by the Ministry, the GDP declined at a faster rate in the second quarter (10.4% compared to 9.8% in the first quarter). The GDP result had been influenced primarily by the fact that investments in the economy were lower by 18% (compared to the same period last year). The decrease in consumer demand was not so deep at 3%, even though the downward trend became stronger in recent months. In the first half of 2009, unemployment in Russia increased to 8.3% (compared to 5.6% in June 2008), real salaries declined by 2.8%, and the delays in salary payments increased.

The Russian government's anti-crisis programme, worth billions of roubles, has failed to produce the desired effects as yet; and many companies are being sustained against the logic of economic calculations. The financial reserves held by the state currently enable the government to continue this policy, however, according to the Finance Ministry's predictions, the reserves will become insufficient to cover the budget deficit already in 2010, and Russia will have to seek foreign loans. <iwo>

Russian media concerned about stepped up surveillance of the public

A new regulation of the Russian Ministry for Communications, laying down rules for the operations of state security bodies at post offices, entered into force on 21 July. The media and human rights activists have been concerned about the new rules, have called into question their compatibility with the constitution and fear that the activities of the institutions of force may now become more repressive. In reality, however, the new bill does not extend the powers of the security bodies which have been performing their tasks concerning, e.g. the inspection of correspondence, under the general rules provided for in the laws on mandatory co-operation between the state administration structures on the one hand, and the secret services and enforcement bodies on the other.

The regulation adopted by the Communication Ministry requires staff members of the Russian Post to inform the institutions of force about the services provided and the personal data of the senders and recipients, and to allow those institutions access to the items sent. The regulation is already a third piece of legislation on the inspection of correspondence. In 2000, the Ministry issued a similar regulation governing the inspection of phone calls, and in 2008 – the inspection of electronic correspondence. The compatibility of those two acts with the constitution has never been called into question. The secret services need this kind of legislation for formal reasons – the absence of detailed rules on the scope of their powers has often been invoked by attorneys in trials to question the way in which enforcement officers obtain evidence. The authorities have not responded to the criticism of the new regulation expressed by the media and human rights activists. It should be noted here that Russian politicians often point to this kind of criticism of the government bodies to demonstrate that a civil society is forming in Russia. <peż>

Moscow closes down its biggest marketplace

On 16 July the Moscow mayor Yuri Luzhkov announced that the gigantic Cherkizovskiy Marketplace would be definitely closed down. The closing down of the largest marketplace in the Russian capital, as a result of which around one hundred thousand people, mostly immigrants from China, lost jobs, has created a tense situation in Moscow and has been protested against by the Chinese authorities. By closing down the marketplace, the Russian authorities were able to take over land and implement demonstrative anti-corruption measures at the expense of immigrants.

The Cherkizovskiy Marketplace was one of the largest centres of trade (also wholesale) in merchandise such as clothes and electronics, mainly imported from China, in the European part of Russia. Twelve bazaars as well as hotels and restaurants operated in an area of 234 hectares. It is estimated that around one hundred thousand people (sixty thousand Chinese) lost their jobs when the marketplace was closed down. They are now camping in the streets of Moscow, and their situation has been a source of major concern for the Moscow inhabitants and the merchants of other markets who fear that they will lose their suppliers and that the Asian traders will move to other bazaars. The Chinese authorities are also concerned – Russian-Chinese talks were held in Moscow on 25 July to discuss the issue.

Officially, the marketplace was closed down on 29 July because of violations of the sanitary and fire-protection regulations (the media, however, have been speculating about other possible reasons including a conflict between PM Vladimir Putin and the bazaar owner, entrepreneur Telman Ismailov). Whatever the real reasons behind the closing down of the marketplace, it has enabled the Russian authorities, within less than a month, to take over control of an attractive plot of land in Moscow and the merchandise stored there (according to the prosecutor's office, around US\$2 billion worth of smuggled goods has been confiscated in the Cherkizovskiy), under the pretext of the fight against corruption and smuggling and measures to protect the domestic light industry, without taking into account the social cost. <adu>

Ukrainian government forced to increase gas prices due to dramatic budget situation

Under pressure from the IMF and the European Commission, the Ukrainian government decided to increase the prices of gas paid by individual consumers and the heating sector. Gradual imposition of market prices on gas had been the precondition for the payment of the next tranche of the IMF loan and the possible loan from the European finance institutions intended to finance the purchase of gas reserves for the heating season. The decision, taken by Yulia Tymoshenko's government six months before the presidential elections, demonstrates that the state budget is experiencing serious problems.

Yulia Tymoshenko had publicly pledged that the prices of gas paid by individual consumers would not be increased this year. In the negotiations with the IMF she tried to have the decision postponed at least until after the presidential election. The IMF negotiators made some unprecedented concessions to Ukraine (increasing the permitted budget deficit level to 6% of the GDP and authorising the use of the money provided by the Fund to finance the deficit), however, they would not approve continued budget financing of Naftohaz at the current, high rates. On 9 July the government took the decision (made known to the public only a few days ago) to increase the prices of gas by 20% for individual consumers as of 1 September, and for the heating industry – as of 1 October. In 2010, 20-percent increases of gas prices for these two categories of consumers will take place every quarter.

The decision to increase gas prices will enable the Ukrainian government to obtain the third tranche of the IMF loan in the amount of US\$ 3.3 billion, and another loan to finance the winter gas reserves, endorsed by the European Commission. However, the fact that Tymoshenko has agreed to increase the prices is indicative of the scale of problems experienced by the Ukrainian budget. It seems that the price increases have been a lesser evil for the government. The authorities may now try to compensate for the higher gas price by offering stronger welfare assistance to the poorest, whereas the possible problems with pension payments, which would be likely if the loans were not granted, might entail a much higher political cost for PM Tymoshenko, who is running for president in the next election. <AnG>

Uyghur people stage protest in Kazakhstan

On 19 July, members of the Uyghur diaspora in Kazakhstan held a protest rally in Almaty demanding an objective investigation into the June events in Xinjiang. The rally took place with the Kazakh authorities' permission in a representative part of the city, which is unprecedented in the light of how anxious Astana is to keep good relations with China, its important political and economic partner, and the fact that freedom of assembly is strongly restricted in Kazakhstan.

The rally held at the Palace of the Republic in Almaty lasted for one and a half hours and brought together between 5 and 8 thousand people. The protesters called on the United Nations to carry out an independent investigation into

the tragedy in Xinjiang. The demonstrators chanted "Free Uyghurstan!" and some of them waved the flags of East Turkestan.

Kazakhstan, which opposes all separatisms and borders Xinjiang, has taken no official position on the incidents in Urumqi. All that is known is that when the riots broke out, the Kazakh Ministry for Foreign Affairs co-ordinated the returns Kazakh nationals. The fact that the Kazakh government has authorised the demonstration, whose message was in fact anti-Chinese, may mean that the atmosphere within the Uyghur diaspora (300 thousand Uyghurs live in Kazakhstan) had become so volatile that Astana decided the rally was necessary to channel and relax the tension while fully controlling the situation. The fact that the rally took place only two weeks after the main wave of riots in Urumqi makes Astana's permission for the rally to be held easier to accept for Beijing. <wol>

CES

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