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ANALYSES

A chance for a pro-European breakthrough in Moldova

Coming to power of a new government in Moldova on 25 September means that the country will be ruled by genuinely pro-European political forces which, according to the new Prime Minister Vladimir Filat, treat European integration of Moldova as their 'absolute priority'. This may bring about a fundamental change in Moldovan domestic and foreign policy. To demonstrate pro-European sympathies of the new cabinet on 28 September Prime Minister Filat made Brussels the destination of his first foreign trip.

However, the new government will have to face a number of serious challenges. Apart from a deep economic crisis it will have to deal with political complications due to a likely blockage of the presidential election by the communist party, which in turn may necessitate early parliamentary elections. Moreover, the new authorities may be subjected to economic and political pressure from Russia, which may find unacceptable the sudden turn of Moldova towards the EU. Therefore, rapid financial aid from Western institutions, especially the EU, will be an essential condition of the new pro-European team's success.

A new quality

Vladimir Filat's cabinet represents a fundamental change in Moldovan politics. It is a broad coalition of those political forces in Moldova which decided to challenge the authoritarian political system which was built over eight years by the Communist party led by Vladimir Voronin. The main objective of the new government is to conduct deep internal reforms in order to prepare Moldova for European accession and to liquidate the consequences of eight years of attempts by Voronin's clique to turn the state into a tool for personal enrichment. The government's priorities are: economic liberalisation, restoration of rule of law, reforms of the law enforcement and the justices systems, restoration of pluralism in to the public media, eradication of corruption, decentralisation of the state administration and restoration of local government's autonomy. Although the coalition has political will to carry out the reforms, there is a risk that the new government will succumb to temptation to take over the existing system of informal links between politics and business instead of liquidating them. However, the coalition nature of the government creates a system of mutual control which may reduce the risk of corruption.

In foreign relations, the new government intends to give up President Voronin's policy of manoeuvring between the European Union and Russia, adopting instead a clear pro-European stance. Signing an association agreement with the EU, which would establish a free-trade zone and gaining a prospect for a visa-free regime with EU member states, are top priority issues. At the

same time, the new cabinet does not want to change Moldova's neutral status or resign its membership of the CIS, hoping that it will thus be able to maintain correct relations with Russia.

What makes hopes for reform more realistic is that Moldova's new government represents not only new political forces but also a new generation of politicians, whose formative experience occurred already after the collapse of the USSR under enormous influence from Western cultural standards, who are mostly Western-educated, fluent in foreign languages and are used to speak Romanian (and not Russian) as the language of politics and business (such as Prime Minister Vladimir Filat, the Minister of Defence Vitalie Marinuta, the Minister of Foreign Affairs Iurie Leanca and the Minister of Finance Veaceslav Negruta). Their chances of achieving a political breakthrough in Moldova and breaking with the post-Soviet oligarchic political system are real. If the new team succeeds in staying in power for a longer period, one of the long-term effects will be the gradual cultural and linguistic 'Romanisation' of Moldova, which however is not to be confused with the politically dead programme of unification with Romania.

The challenges

The new government will have to respond to a number of extremely difficult economic and political challenges. In the short term, the most dangerous is the budget deficit resulting from both the deep economic crisis and the reckless fiscal policy of the previous cabinet. In the first half of 2009, GDP shrank by 7.8%, exports by 12.5%, imports by 28% and VAT receipts by 15%. According to estimates presented by the new minister of economy, the budget gap may reach 8.4 billion Moldovan lei (approx. US\$760 million) at the end of this year. Such a big deficit may prevent public sector employees from being paid in the last months of the year.

Moldova does not have enough funds to make up such a large deficit. Therefore, external financial aid is becoming a very urgent issue. In this light, Prime Minister Filat's first visit to Brussels (29–30 September) proved to be a strong disappointment to the new government. The European Union promised merely €22 million before the end of the year, The International Monetary Fund can allocate larger funds but will probably be unable to disburse the first tranche before the beginning of next year.

The new cabinet's financial problems are aggravated by political complications resulting from its lack of a sufficient parliamentary majority to ensure the election of a new president. The government coalition holds 53 seats, while the other 48 belong to the communist party. 61 votes are necessary to elect a president. According to the existing legislation and the constitution, if a president is not elected within two months, new parliamentary elections have to be scheduled, however not before the end of this year. The coalition hopes to convince the communists to vote for its presidential candidate, Marian Lupu, the leader of the Democratic Party, which is a member of the government coalition. Since this is rather unlikely, the government is considering the option of shifting the date of parliamentary elections to 2011 by launching a procedure to amend the constitution. The coalition hopes that by

that time it will have managed to start deep structural reforms to bring Moldova closer to European standards and to increase its public opinion ratings.

The new government may also expect additional difficulties resulting from Russia's reaction to the new political situation in Chisinau. For Moscow, the new team, with its pro-European tendencies and the 'Romanophile' label given to it by the communists, will be a difficult partner which Moscow may find hard to accept. It is unclear whether the Kremlin will decide that political stability in Moldova is in its interest. It is very likely that Russia will want to show its potential to put pressure on the new Moldovan government by, for example, raising the gas price or by increasing tension over the Transnistrian issue.

The pro-European turn in Moldovan politics, which is based on the aspirations and expectations of the most active and best-educated part of the society, may only have a chance of success if it receives real support from the European Union and international financial institutions as soon as possible. Since Moldova is not a big country, even some assistance which may seem insignificant from a Western perspective can decide whether the new government in Chisinau will be given a chance to implement its programme. The other post-Soviet countries will be watching closely what happens to the new government and how Brussels treats it. This offers the opportunity for the European Union to reinforce significantly pro-European tendencies in the CIS area. In turn, if the new government fails, the EU will be seen as less attractive by both elites and the general public in this region.

Witold Rodkiewicz

EVENTS

Russia is increasing support for Abkhazia

The Russian Minister of Foreign Affairs, Sergey Lavrov, suggested during his working visit to the separatist republic of Abkhazia on 2–3 October that Russia would protect maritime traffic to and from Abkhazia, and defend Abkhazian interests on the international stage. An agreement on establishing visa-free movement was also signed during the visit. Russia is increasing its support for Sukhumi to demonstrate that it believes that Abkhazia's secession is non-negotiable; the assistance it has offered to the separatist republic may also signal that Moscow will support the present separatist leader Sergey Bagapsh in the presidential election scheduled for this autumn.

Protecting maritime traffic is the most important issue for Abkhazia because the Georgian coast guard has arrested at least a dozen ships going to or from Sukhumi over the past few months. Minister Lavrov's promise was confirmed by a leak stating that such vessels could be accompanied by Russian warships; this was reiterated on 5 and 6 October by Russian media referring to sources within Russian law enforcement structures.

The Russian declarations seem to be a message addressed first of all to the West that Moscow is prepared to protect its interests in the Caucasus by any means, including military. The Kremlin's offer of extensive assistance to the separatists may also be a sign of its readiness to support the present Abkhazian leader Sergey Bagapsh, who will run for a second term in the upcoming presidential election. The most likely price for that would be the republic's even stronger dependence on Moscow. <GÓR>

Putin is blackmailing Renault

On 2 October, Prime Minister Vladimir Putin required the French company Renault to provide financial assistance to AvtoVAZ, Russia's largest car builder. If this requirement is not fulfilled, the French company's shares in AvtoVAZ could be reduced. Putin's demands fit with the Russian government's strategy of using foreign capital and technology to bring the Russian economy out of its slump. However, they undermine the reliability of Russian politicians who have promised to reduce the role of the state in the economy and strengthen free-market competition.

The major owners of AvtoVAZ include the state-controlled corporation Rostekhnologii (25.1% of shares), the investment company Troika Dialog (24.82%) and Renault (25%, which were taken over at the beginning of 2008 for US\$1 billion). The remaining stake is held by petty shareholders. AvtoVAZ has found itself in serious financial trouble as a consequence of the crisis. Its debt as of now has exceeded 54 billion roubles (approximately US\$1.7 billion). This summer, the Russian government gave to AvtoVAZ a loan of 25 billion roubles (US\$800 million), which proved to be insufficient, and the company asked for further assistance. This time, Prime Minister Putin demanded that its foreign

co-owner should also get involved in saving the company by contributing its technologies to AvtoVAZ, or otherwise the Russian company, which is considering an additional issue of shares, could change its ownership structure (Renault has serious financial problems of its own, and is relying on French government aid, so it could not afford to buy out any additional shares). Putin's demands are aimed at modernising AvtoVAZ with the use of Renault's know-how, just as Germany's Opel technologies will be used to modernise Russia's second largest vehicle builder, Gaz Group. <iwo>

Ukraine: LUKoil opposes supplies of Azeri oil to a competitor refinery

On 2 October, LUKoil stopped production at its refinery in Odessa and threatened to close it. This was its protest against the decision taken by the Ukrainian pipeline system operator Ukrtransnafta to reverse the direction of the Lysychansk–Odessa route, by which Russian oil had been supplied until the end of September to the refinery in Odessa, and to use it for supplying Azeri oil to the refinery in Kremenchuk. In addition to business motives, LUKoil's decision may also have a political aspect. An increase of supplies of Azeri oil to Ukraine could diversify Ukrainian oil supply sources and this could cause particular anxiety in Russia.

Before that, the refineries owned by Russian firms (Odessa by LUKoil and Lysychansk by TNK-BP) were the only ones which received sufficient supplies of raw material from Russia to be able to operate at full capacity. Oil was transported via the Lysychansk–Kremenchuk–Odessa pipeline. Meanwhile, Kremenchuk, one of Ukraine's largest refineries, had problems with oil supplies for two years; all its attempts to sign contracts for oil supplies from Russian firms were unsuccessful. A contract envisaging tankers supplying Azeri oil to the Odessa port was recently signed by one of the Kremenchuk refinery's co-owners, UkrTatneft; the other shareholders are the State Treasury and Ihor Kolomoiski's Privat Group, the latter having the real control of the refinery. This created an opportunity for large-scale production to be resumed there, on condition that supplies were guaranteed via the Odessa–Kremenchuk pipeline. Therefore, Ukrtransnafta, acting on behalf of Kremenchuk refinery's shareholders, made an offer to LUKoil to replace the previous route of oil supply to the refinery in Odessa with one of four alternative routes. However, LUKoil rejected the proposal, and decided to withhold production at the recently modernised facility.

The contract for Azeri oil supplies is part of the efforts Ukraine has been making over the past few years to ensure the diversification of its oil supply sources; this displeases the Russian firms which have controlled oil supplies to Ukraine so far. <TAO, PW>

Report on the Russian-Georgian war

A report on the Georgian conflict, prepared by the Independent International Fact-Finding Mission on the Conflict in Georgia (IIFFMCG), acting under the auspices of the EU, published its report on 30 September, summing up information on the Russian-Georgian conflict of August 2008. The document allows for various interpretations and provides both sides with arguments to argue their case. Fears that the publication of the report would increase tension both between Tbilisi and Moscow and inside Georgia turned out to be unjustified.

The primary goal of the mission, appointed in December 2008, was to prepare a report on the causes and course of the Georgian-Russian war in August 2008, paying special attention to breaches of international law. The final version of the report consist of 1129 pages and includes a description of the military operations, direct causes and historical background, and a legal analysis. The open-ended formula of the report, which does not provide an unambiguous evaluation of the situation as a whole, is satisfactory to both Russia (as it names Georgia as the initiator of large-scale military activity) and Georgia (as it reveals Russia's key role in escalating tension in the period leading to the conflict, numerous violations of international law before and during the war, and the baseless argumentation used as the pretext for launching the Russian intervention in Georgia). The report also describes the actions taken by the EU and the international community in connection with the conflict, specifying both the failures and successes. The report has been formulated in such a way that neither Brussels, Moscow nor Tbilisi can use it to promote major revisions to the international perceptions of the conflict. Fears that the publication of the report would augment anti-presidential activity in Georgia have proved groundless; attempts by some members of the opposition (Nino Burdzhnadzze and Salome Zurabishvili) to exploit it in this way have so far been unsuccessful, and the rest of the opposition are focused on the strictly political struggle over current issues linked to the democratisation of the state. <ks>

The Armenian diaspora opposes any normalisation of Armenian-Turkish relations

On 1–7 October, the Armenian President Serzh Sargsyan visited those countries where the largest communities of the nearly five-million Armenian diaspora live. The meetings with Armenian organisations were aimed at convincing the diaspora to accept the process of normalising Turkish-Armenian relations. However, the president's efforts have been unsuccessful; most of those organisations oppose normalisation mainly because Yerevan no longer demands that Ankara recognise the massacres of Armenians by Turks in 1915 as acts of genocide, as a condition of the reconciliation.

Sargsyan visited the places where the Armenian communities are the most numerous, namely Paris, New York, Los Angeles, Beirut and Rostov-on-Don. Most of these meetings, during which the Armenian president tried to convince the diaspora that the recently launched process of normalising relations with Turkey was beneficial for Armenia, were held in a highly emotional

atmosphere. In Paris and Los Angeles, they were accompanied by street demonstrations. Representatives of the diaspora, most of whom are descendants of Armenians who fled from Ottoman Turkey after the 1915 massacres, protested against Yerevan's withdrawal of its demand to recognise those events as acts of genocide by Ankara as a condition of normalisation. They also expressed their concern about the security of Armenians in Nagorno-Karabakh; although the Armenian government claims that diplomatic relations should be established and the border should be opened without any preconditions, Turkey insists that Armenian troops should be withdrawn from the occupied Azeri territories before this can be done. Although the diaspora seems unlikely to be able to block the normalisation process, the opposition it expressed means serious complications for Sargsyan. The diaspora has strong influence inside Armenia (its opinions are especially important for the nationalist Dashnak Party). Besides, the lack of its support for the government may also mean a reduction in the diaspora's financial aid to Armenia, or that it might be offered to the government's political opponents. The activity of the influential Armenian lobby (mainly in the USA and France) has always been an important element of Armenian foreign policy. Therefore, a conflict between the Armenian government and the diaspora may reduce Yerevan's room for manoeuvre on the international stage. <mf>

Is Tohir Yuldashev dead?

Tohir Yuldashev, the leader of the Islamic Movement of Uzbekistan (IMU), was reported dead on 2 October on the basis of information received from Pakistani secret services and the Taliban. Yuldashev was reportedly killed on 27 August during a US unmanned aerial vehicle attack in Kanigoram, Southern Waziristan (Pakistani tribal areas). The IMU, which is treated as a unit of Al-Qaeda, has long been the most dangerous militant Islamic organisation in Central Asia.

The IMU was established in 1998 to fight by military means for the establishment of a caliphate in the Fergana Valley. It launched armed raids in Uzbekistan and Kyrgyzstan (the Batken crises) in 1999–2000, and later fought in the ranks of Al-Qaeda in Afghanistan and in the Pakistani frontier. In Afghanistan, militants from other CIS countries (including Chechens) and Uyghurs joined the organisation in addition to Uzbeks and Tajiks. Its estimated number ranges between 2,000 and 5,000 fighters. The IMU and its splinter group the Islamic Jihad Union have been accused of staging terrorist attacks in Uzbekistan and Germany. This year the IMU's activity has noticeably increased in northern Afghanistan (which borders former-Soviet Central Asia). The organisation has also allegedly launched acts of sabotage in Uzbekistan, Tajikistan and Kyrgyzstan, raising fears of a further escalation of subversion in the region. Yuldashev's death is likely to temporarily reduce the threat the IMU poses to Central Asia, although it will not be totally eliminated. At the same time, the incident is another example of the ISAF mission's impact on stability in Central Asia: NATO's work in Afghanistan is combating those forces which are interested in destabilising the region, whose activity is based on radical Islamic ideology, and which resort to military and terrorist methods. <ks>

CES

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