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ANALYSES

The Russia-EU summit in Samara

The Russia-EU summit with President Vladimir Putin, the German chancellor Angela Merkel and the European Commission's president Jose Manuel Barroso took place on 17 and 18 May in the Volzhskiy Utyos resort near Samara. The talks failed to produce any concrete results, apart from general declarations concerning the parties' willingness to continue co-operation. The meeting in Samara exposed the bad state of Russia-EU relations and the fundamental differences between the two sides. The EU officials' stance showed that Russia's policy of dividing the EU into 'better' and 'worse' members has failed. However, the Kremlin is still convinced of Russia's power, and as a consequence Moscow is unwilling either to make any concessions to Brussels, or to revise its policy. At the same time, the policy aimed at 'rapprochement with Russia through interdependence' promoted by the German presidency, has proved ineffective.

The summit and its results

Even though both sides tried to conceal the impression that Russia-EU relations are in a crisis, the absence of a joint communiqué, which is customary on such occasions, shows that the talks had stumbled on very serious differences between the two sides. The press conference further confirmed the inconclusiveness of the summit; the parties only agreed to maintain the existing transit system between the Russian Federation and the Kaliningrad Oblast after Lithuania's accession to the Schengen system, and announced further talks on the creation of an early warning system for the energy sector and on improving investment conditions, *inter alia*. The press conference after the summit became the scene of public disputes between Vladimir Putin and the EU officials. The Russian president unsuccessfully tried to play up the differences between the old and the new Member States, by for example pointing to the negative consequences of the EU enlargement and alleging that Poland has been shunning talks about the meat embargo. Replying to this, Merkel and Barroso firmly emphasised that the embargo dispute was an issue between the entire Union and Russia. They also spoke out against the violations of law and civil freedoms in Russia.

Russia-EU relations: a catalogue of differences

The summit's failure culminates the process of gradual accumulation of differences between Russia and the EU, which had been visible for some time, but was until now partly hidden behind both sides' declarations suggesting that the relations are in good shape.

The main point of contention is Russia's energy policy, including its being used as a political tool, the closure of the Russian market to some European companies, and the absence of any guarantees of uninterrupted energy resource supplies. The EU is also increasingly critical of Russia's internal

and foreign policy, including Russia's use of economic and political pressure against its neighbours (such as the embargo on Polish meat and interrupted oil supplies to Lithuania, and the campaign against Estonia).

Differences are also mounting because Moscow is unwilling to make any concessions concerning the future of Kosovo (it threatens to veto the Ahtisaari plan which the EU has endorsed), and because of the escalating dispute between Russia and the US concerning the latter's proposed missile shield, the consequences of which may adversely affect Europe's security (Russia is threatening to withdraw from the INF and CFE armaments control treaties). Finally, the Kremlin considers the EU's efforts to strengthen a European presence in the CIS as interference with the Russian sphere of influence.

The failure of Russia and the EU's existing policies

The current crisis in Russia-EU relations shows that there is no potential for agreement in the future. On one hand, Russia's ability to influence EU policy has shrunk following the 2004 and 2007 enlargements, and because the European leaders considered to be Putin's 'friends' (Jacques Chirac and Gerhard Schröder) are no longer in office. Russia has failed to place the blame for the tension in its relations with the EU on Poland and the Baltic states, and Germany has failed to live up to the Kremlin's expectations as Russia's advocate in the EU.

On the other hand, the EU has no instruments to effectively influence Russia's policy. The so-called 'new EU eastern policy' promoted during the German presidency, which aims at building relations with Russia on the principle of "rapprochement through interdependence", has failed. The assumption that a 'strategic partnership' could be built on economic foundations and that economic commitments would force Russia to implement internal reforms and pro-democratic change proved wrong.

Future prospects for Russia-EU relations

In spite of the failure of Russia's policy towards the EU (which was based on relations with selected partners and on dividing the Union), the Kremlin still strongly believes in its power and in Europe's energy dependence on Russia. As a result, Moscow sees no need to make concessions, and is making its policy towards the EU increasingly rigid. Therefore, no serious revision of Russia's attitude towards the European Union should be expected, in spite of the public displays of willingness to co-operate, especially as Moscow's foreign policy is increasingly determined by its internal policy, and has to be adjusted to the image of a strong and independent Russia, which the government is promoting in the run-up to the parliamentary and presidential elections. Finally, there is concern about possible Western interference in the succession of power.

The current state of affairs should be expected to continue until the end of President Putin's term (May 2008); Russia is unlikely to make any concessions before then. In the longer term, the prospects are less clear. If a succession of power takes place, the new president might be able to improve the atmosphere of mutual relations. However, the differences are of a structural nature, and the probable continuation of an assertive policy line by Russia will create more conflict between Russia and the European Union.

Marcin Kaczmarski, Co-operation: Anna Kwiatkowska-Drożdż

Kazakhstan – Constitutional amendments

On 22 May, President Nursultan Nazarbayev signed the draft constitutional amendments adopted by the parliament on 18 May. At the last moment, a provision allowing Nazarbayev to run for president for an unlimited number of times was added to the amendments proposed by the president, which according to official declarations were designed to strengthen the parliament and further the democratisation of Kazakhstan.

In the political life of Kazakhstan, where President Nazarbayev holds an unquestionably dominant position, the amendments – which the ruling group advertised as revolutionary – in fact change little, and the provision enabling the president to stay in office indefinitely (which has caused much controversy in the West) merely sanctions the existing state of affairs. The modifications are of purely propagandistic significance: they are intended to demonstrate that Kazakhstan is making efforts towards democratisation (by strengthening the parliament), while at the same time emphasising the country's autonomy in the field of internal politics (allowing Nazarbayev to stay in office for successive terms), the strong position of the president and his full control of political processes in the country (the amendments suspend the disputes concerning the succession of power).

The amendments, which had been announced long ago, are being presented as an element of the political reforms aimed at bringing Kazakhstan closer to Western standards, thus increasing its chances of taking the OSCE leadership in 2009. Hence the shortening of the president's term from 7 to 5 years (this provision will take effect after the end of the current term, i.e. as of 2012), increasing the number of MPs from 116 to 154, the introduction of a proportional representation system for parliamentary elections, and the provision requiring the candidate for prime minister nominated by the president to be approved by a majority in the Majilis (parliament). At its second reading, an amendment was added to the package of modifications presented by the president, under which the provision imposing a limit of two terms as president does not apply to Nursultan Nazarbayev. This enables the current president to stay in office for life.

The propaganda campaign in Kazakhstan, which emphasises that the constitutional amendments further the progress of democratisation, as well as the comments in Western press, which reduce the entire package of changes to just the one which allows President Nazarbayev to stay in office indefinitely, both overlook the most important facts. The amendments concerning the parliament's role in fact change very little, and so does the provision concerning president Nazarbayev, which is simply a demonstration of his power, and in effect suspends the disputes over his succession.

Because of the way presidential power is exercised in Kazakhstan, any legislative changes are purely formal. Nursultan Nazarbayev fully controls the power apparatus (including the parliament), and has a decisive say in the legislative process. He also controls the security services and the army. Moreover, he

remains very popular in Kazakhstan, and so extending his rule beyond 2012 at any time has never been a real problem. President Nazarbayev has not declared that he would use the right the parliament has awarded to him. Nevertheless, by signing the package of amendments he sent a clear signal that speculation concerning his potential successor and the behind-the-scenes games over his legacy are premature, and that he is in such a strong position that he will stay in power if only he so wishes.

The fact that President Nazarbayev has signed the amendments is also another signal to the international public opinion indicating that Kazakhstan's potential and geopolitical situation permit the country to disregard the opinions of others and decide for itself what democracy means. While aspiring to take the leadership of the OSCE, Kazakhstan seems to be emphasising that the West cannot dictate how the country runs its internal affairs, and that the question of constitutional amendments should not overshadow Kazakhstan's potential or its stabilising role in the region.

Anna Wołowska

Turkmenistan: President Berdymuhammedov claims full power

On 15 May, the Turkmen president Gurbanguly Berdymuhammedov dismissed the presidential security service chief general Akmurad Rejepov, an *eminence grise* of Turkmenistan's political scene who was regarded as the second most influential person in the Turkmen totalitarian system after the late Saparmurat Niyazov (Turkmenbashi). Rejepov's ousting strengthens Berdymuhammedov's position and indicates that the president holds real power in Turkmenistan. This is of major importance for potential foreign investors, since it suggests that the president is in control of the situation in Turkmenistan, and from now on he personally will take all decisions concerning the Turkmen energy sector.

According to official Turkmen sources, Rejepov was dismissed as he "had taken another office in the government". However, Turkmen officials speaking on condition of anonymity have reported that the security chief has been arrested, and may be tried in the near future. His son Nurmurad, a colonel in the security services, and Murad Agayev, a businessman associated with the Rejepov family (who is CEO of the Oriental company which has unofficially managed the Rejepov clan's finance), are also reported to have been detained. After Rejepov was arrested, a purge designed to remove people loyal to him started in the Turkmen government (especially in the institutions of force). On 22 May, Berdymuhammedov dismissed Orazberdy Khudoiberdiyev, the railways minister associated with Rejepov, as well as the mayor of Ashgabat Orazmyrat Esenov. Border controls were also stepped up, in order to prevent persons from the security chief's circle from escaping abroad. On 18 May, the Russian daily *Vremya Novostei* reported that the minister for internal security Geldymurad Ashirmuhammedov had been arrested, although the news was later denied by the Turkmen government.

According to unofficial information provided to the media by Turkmen officials, preparations for Rejepov's dismissals had been underway since at least March, when the president foiled an attempt by Rejepov's people to move a major portion of the late Turkmenbashi's assets abroad. It is notable, however, that the dismissal took place just three days after the energy summit involving the presidents of Turkmenistan, Kazakhstan and Russia on 12 May in the town of Turkmenbashi. It may be the case that after meeting Vladimir Putin, Berdymuhammedov decided that the Kremlin would not object to such severe steps being taken against the security chief.

While the late Saparmurat Niyazov had remained in power, Rejepov was always very influential, and was a key person in the totalitarian system created by Turkmenbashi. The foundation of his influence was the two thousand-strong force of Niyazov's personal security troops as well as an extensive network of collaborators in the other institutions of force and in business circles. Rejepov personally supervised Niyazov's regular purges and arrests of Turkmen officials. Moreover, he was probably the person who came up with the idea of transferring power after Turkmenbashi's demise to Berdymuhammedov, who was then merely an official with no political backing

of his own (Rejepov allegedly took the decision to arrest the parliament speaker Ovezgeldy Atayev, who in accordance with the constitution should have taken over the head's of state duties after the president's death). Rejepov had probably hoped that thanks to his nomination as president to the security chief, Berdymuhammedov would be his puppet.

The removal of Rejepov, the most powerful politician on the Turkmen political scene, proves that Berdymuhammedov's position is strong, and further consolidates it, irrespective of whether he has carried out the dismissal independently or in co-operation with other Turkmen 'siloviks' (it seems that the interior minister Khojamyrat Annagurbanov, who had been appointed to that position by Berdimuhammedov only a few weeks ago, could have played an important role in Rejepov's ousting). It appears that contrary to earlier expectations, the new Turkmen leader is not compliantly following the advice of people in his circle, and will not simply 'maintain' Turkmenbashi's legacy. He seems to have an internal political agenda of his own, and intends to actively build a political backing and concentrate full power in his hands.

Berdymuhammedov appears to be a courageous and effective politician on the internal political scene, which will presumably influence Turkmenistan's foreign policy. The new leader may become an important player in the Great Game over Central Asian energy resources, forcing Russia, the West and the other countries in the region (especially Kazakhstan) to treat him as an important partner. His bold personal decisions are a clear signal to those states and foreign oil companies that have been seeking to initiate broader energy co-operation with Ashgabat, as they perceive that it is Berdymuhammedov – and not his inner circle – who will take final decisions concerning Turkmenistan's energy sector.

Maciej Falkowski

EVENTS

Russia: Start of works on a pipeline to replace the Druzhba

On 18 May the Russian PM Mikhail Fradkov signed a decree ordering the Ministry of Industry & Energy and the Transneft company to prepare the documentation needed for the construction of the Unecha-Primorsk (BTS-2) oil pipeline, and that the Rosstroy agency should carry out a state-endorsed study of the route. According to commentators, this means that work is beginning on a project to build a new export route for Russian oil, designed to reduce Russia's dependence on transit via Belarus using the Druzhba (Friendship) pipeline.

The planned capacity of the new route is 50 million tons a year. The cost of the project is currently estimated at US\$2–2.5 billion, and project duration at around a year and a half. The Ministry of Industry & Energy has stated that even with the BTS-2 in operation, it will still transport Russian oil using the Druzhba (around 80 million tons of oil was supplied via this route in 2006), and the project, as envisaged in Russia's energy strategy, is intended to expand the capacity of the Baltic Pipeline System and the Primorsk terminal from the current 74.5 to 120 million tons a year. However, it follows from unofficial statements by Russian politicians that Moscow's intention is to completely discontinue the transit of oil via Belarus (and consequently via Poland), and the new route is part of the Kremlin's plans to minimise the dependence of Russian hydrocarbon exports on transit via neighbouring countries. The impressive speed of preparatory works for the project (the idea to build the route first emerged as Moscow's reaction to the oil conflict with Belarus in February 2007) proves that Russia is determined to carry out this strategy. <epa>

Ukraine: Battle over the Kremenchug refinery

On 17 May, the Russian majority shareholders of Ukratnafta called on the Ukrainian government to stop "an attempted takeover of the company" by the state-owned Naftohaz Ukrainy concern. This is another manifestation of the struggle over Ukratnafta, the owner of Ukraine's largest refinery in Kremenchug.

Ukratnafta was established in 1994 under an agreement between the governments of Ukraine and the Republic of Tatarstan (in the Russian Federation). Its main shareholder is the Russian company Tatneft, which controls a total of around 55% of shares in Ukratnafta, and is in charge of ensuring oil supplies to the Kremenchug refinery. The Ukrainian government has 43.054% of shares in Ukratnafta – its stake is currently managed by Naftohaz under a decision adopted in 2004. The state-owned holding wishes to call a general meeting of shareholders, and has been pushing for changes in the Ukratnafta management, implying that the current management's actions may be detrimental (for example, it refuses to process Ukrainian oil, and has been sabotaging the state programme to create strategic oil product reserves).

In the recent years, the Ukrainian political and business elite has been unsuccessfully promoting the idea of building a national oil holding to deal with oil extraction and the processing & sale of oil products, which would include the Kremenchug refinery among others. The current conflict may indicate that some government politicians are returning to this idea, and that the position of Russian investors in Ukratnafta is uncertain. <ars>

Russia and Belarus reach agreement concerning the sale of Beltransgaz

Representatives of Gazprom and the State Committee for the Property of the Republic of Belarus, meeting in Minsk on 18 May, signed an agreement for the gradual sale to Gazprom of 50% of shares in the Belarusian gas monopoly Beltransgaz in 2007-2010, which implements the bilateral arrangement concluded on 31 December 2006. The agreement, which was reached after lengthy negotiations, mainly benefits Russia.

It was agreed that the buyer will acquire four 12.5% blocks of shares in Beltransgaz over the next four years, paying US\$625 million for each. As a result, in 2010 the Russians will have acquired 50% of shares for the total amount of US\$2.5 billion. The first block of shares is to be transferred in June this year. The concessions made by the Belarusian authorities include an obligation not to use the 'golden share' right in this case, nor to use the block of shares which was set aside as credit collateral to be potentially sold. These arrangements mark another stage of progress towards the creation of a joint enterprise on the basis of Beltransgaz. However, a number of issues have yet to be agreed upon, such as the mechanisms for dispute resolution and the composition of the new management board.

The fact that the agreement was signed proves that Russia's steady efforts to take control over the Belarusian gas sector are producing the first tangible results. On the other hand, it seems that Belarus will continue trying to postpone the final takeover of a 50% block of shares by Gazprom. Losing control of the country's key energy establishment is viewed in Minsk as a threat to Belarus' energy security, and consequently as a threat to President Lukashenka's rule. <kam>

CES

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