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Nazarbayev promises to empower Kazakh parliament

>>Proposed reforms unveiled in televised address, although analysts and people are sceptical

ALMATY -- In a televised address to the nation lasting 9-1/2 minutes, Kazakh President Nursultan Nazarbayev described how he wanted to bring in a series of reforms that would shift power from the president to parliament (Jan. 25).

The main proposals focused on how the government was formed. Currently, Mr Nazarbayev appoints all the key positions in government and the state's main agencies. This was a task that he said he wanted to hand over to the PM. He also said that he wanted parliament to have more say over social and economic issues.

"The point of the proposed reform is in a serious redistribution of powers and democratisation of the political system as a whole," he said during this address in both Kazakh and Russian with his trademark formal and deadpan delivery.

The speech, though, was short on detail and lacked a timeframe for the proposed changes. Although the aim of the speech appears to be to burnish



>>A screengrab showing Nazarbayev making his address

Pic: YouTube

Mr Nazarbayev's credentials as a democrat and to ease concerns that he doesn't have a succession plan, the main reaction was derision.

In Almaty, Mikhail, 29, said: "This is another imitation and an attempt to shift the responsibility for worsening living conditions."

And analysts said Mr Nazarbayev appeared eager to disengage from difficult social and employment poli-

cies but retain control of duties linked to foreign policy and security.

"It's almost like he wants to pass off responsibility for the really hard stuff," said Bruce Pannier, a Central Asia analyst at RFE/RL.

Not everybody was downbeat. "That sounds great, nonetheless these reforms require strengthening of mass media and freedom of speech," said Galym, 26.

Kyrgyzstan keeps Uzbek activist locked up

BISHKEK -- A court in Kyrgyzstan reiterated a life sentence against ethnic Uzbek rights activist Azimjan Askarov for stirring racial tension in the south of the country in 2010 (Jan. 24).

Kyrgyzstan has been under pressure from the United States, the

United Nations and various human rights groups to free Askarov, but the judge in the court in Bishkek rejected the notion that the original conviction had been unsafe.

Human rights groups said the decision had been politically motivated

and that the government was looking for scapegoats for ethnic violence in 2010.

Askarov had been arrested in the aftermath of riots in 2010 focused on the southern city of Osh between ethnic Kyrgyz and Uzbeks that killed several hundred people.

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Comment

Nazarbayev announces constitutional changes

>>Proposed constitutional changes in Kazakhstan will make the country more volatile in the longer term as factions within the elite grapple for control, writes Camila Hagelund.

In an unusual step, Kazakh President Nursultan Nazarbayev took to the airwaves to announce constitutional changes, suggesting the septuagenarian has fired the starting gun for his succession. Proposed amendments to Kazakhstan's constitution were received with scepticism by the Kazakh people; yet they include changes that will prove significant.

Planned limits on presidential power have little immediate impact as Nazarbayev's personal, informal influence determines the rules of the game. However, in the post-Nazarbayev era, formal institutions are likely to play an increasingly influential role.

Nazarbayev is setting the scene for his successor to be less powerful. This likely reflects recognition on his part that no individual has the authority or legitimacy to succeed him as a strongman (or -woman) ruler. While the proposed strengthening of parliament will not result in a multi-party democracy, a form of pluralism already exists with elite factions supporting differing policies.

Verisk Maplecroft considers intra-elite differences the only plausible source of a more competitive political environment in the immediate post-Nazarbayev era, but they equally raise the potential for instability. Elite factionalism is currently mediated by the president, but with a less powerful successor facing a potentially more vocal and influential government and parliament, the scene is set for more overt elite clashes.

In the absence of strong state institutions, clashes over policy – or of personalities – risk undermining government stability. A particular cause for concern is therefore Kazakhstan's weak rule of law, specifically the little emphasis Nazarbayev put on the importance of the judiciary in refereeing the balance of power between different branches of government.

A more complex collective system of government would be a step-change in the political landscape for businesses after a quarter of a century of

relative stability. Collective government implies less clarity around who the power brokers are, particularly as the system is established and elite jostle for power.

When the time comes, navigating Kazakh politics will, in all probability, prove challenging. Policy and political volatility is bound to increase without a single power broker to mediate between different factions of the ruling elite.

>>Camila Hagelund, senior Europe analyst at risk consultancy Verisk Maplecroft



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The Conway Bulletin. – Independence, integrity, brevity

Editor – James Kilner

Reporting coverage in Central Asia and the South Caucasus: The Bulletin has correspondents on retainers in Almaty, Bishkek, Dushanbe and Tbilisi and part-time correspondent in Yerevan. For Azerbaijan, Uzbekistan and Turkmenistan, The Bulletin employs local reporters now based outside their home country to help with coverage. Cross Fell Ltd owns The Conway Bulletin. It is registered in England and Wales as company no. 0755115. Our ISSN is 2397-6624.

AZ INT. RELATIONS

Azerbaijan closes top university because of its links to Gulen Movement

>> Azerbaijan has enthusiastically gone after people and institutions blamed for Turkey coup

The authorities in Azerbaijan have closed the Qafqaz University in Baku because of its links to the Gulen movement which key ally Turkey blames for a failed coup in 2016 (Jan. 20).

The closure of the high-profile university, considered one of the best in Azerbaijan, follows the shutting of 10 high schools linked to Gulen.

Azerbaijan has been the only country in the South Caucasus and Central Asia region to go out of its way to accommodate Turkey's demands to close institutions linked to Fethullah Gulen, the Muslim cleric who is now living in exile in the United States.

In the 1990s, after the collapse of the USSR, Gulenists set up schools and universities in the region. They are now regarded as some of the best.



>>Qafqaz University

Pic: qu.edu.az

Gunel Hacıyeva, a recent graduate of the Qafqaz University, lamented its closure.

“Caucasus was the best university in Azerbaijan. So much experience,

so many people, so many students have become victims of the interests of the authorities of both Turkey and Azerbaijan,” he told the Conway Bulletin.

GE ECONOMY

Georgians line up to swap their US dollar loans for lari in government programme

TBILISI - Georgians have been lining up to convert their dollar denominated loans into lari under a so-called “larisation” programme aimed at easing debt burdens after the lari currency lost 21% of its value in six months (Jan. 25).

The government will administer the programme jointly with the Central Bank starting from Jan. 17. It will run for two months.

Giorgi Tsutskiridze, the executive director of Association of Banks of Georgia, said that people had initially taken out bank loans in US dollars because they have a lower interest rate.

“Usually foreign currency loans have a relatively low annual interest

rate, which is on average 3-4% less than loans in lari,” he told The Conway Bulletin.

Since the launch of the programme last week, 5,000 people have applied to switch their loans and around 250 have already made the switch. The majority of loans in Georgia are US dollar-dominated.

Georgian economy has been hit by a strengthening US dollar, a recession in Russia and weaknesses in its neighbouring economies.

Mr Tsutskiridze said the conversion of US dollar loans into lari was necessary to revive the economy.

“Dedollarisation is a vital strategy. Without rapid economic growth, we will end up in poverty,” he said.

In order to be eligible for the programme the loan must be linked to real estate received before Jan. 1, 2015.

Creditors will convert loans at 20 tetri less than the current rate with the government subsidising the difference.

Not everybody, though, is convinced that the “larisation” plan is a good one.

“The lari is so devalued now against the dollar that even with the favourable exchange rate that the government offers, I would end up paying much more anyway,” said Merab, a Tbilisi resident who works in a local grocery store.

“I’d rather just wait and hope for the lari to stabilise.”

ECONOMY

KZ: Bird flu confirmed

Kazakhstan's agriculture ministry confirmed that the H5 flu virus had been found in wild swans in the west of the country (Jan. 20). A few days earlier two dead swans had been found in Atyrau. The H5 strain of bird flu can be passed onto people although it is not as infectious or as deadly as the more well-known H5N1 virus.

AM: Ban on Iranian chicken imports

Armenia has banned chicken imports from six regions of Iran because of an outbreak of bird flu, media reported (Jan. 24). Trade between Iran and Armenia has increased rapidly over the past few years meaning that the ban will hit chicken supplies in Armenia.

INT. RELATIONS

KZ: Astana hosts Syrian peace talks

Talks in Astana between the forces of Syrian president Bashar al-Assad and rebels broke up after two days with both sides promising to consolidate a ceasefire (Jan. 24). The deal, overseen by Turkey, Russia and Iran, will be seen as a diplomatic success for Kazakhstan which hosted the talks. Kazakh president Nursultan Nazarbayev wants to build up a reputation for Kazakhstan as an agent for peace.

AM: Karapetyan flies to Moscow

Armenian PM Karen Karapetyan flew to Moscow for a series of meetings, including with Russian PM Dmitry Medvedev, designed to underline just how close relations between the two countries are (Jan. 24). Armenia has been compared, by some analysts as a Russian vassal state, reliant on it for trade, military and energy cooperation. This was Mr Karapetyan's first visit to Russia as PM. He has close personal ties with Russia and previously used to work for Gazprom Armenia.

AM: Opening up to Russia

Highlighting increasingly tight ties between Armenia and Russia, Armenian PM Karen Karapetyan ordered his government to start preparing processes that would allow Russians to enter Armenia on their internal passports, essentially an ID document (Jan. 26). This, potentially, opens up Armenia a holiday destination to the millions of Russians who don't hold an international passport. Surrounded by its enemies Turkey and Azerbaijan, Armenia is reliant on Russia for military, economic and energy ties.

AM: Denmark criticises Turkey for killing Armenians in WWII

In a partial victory for Armenia, Denmark's parliament voted to adopt a resolution that criticised a ban in Turkey on using the term genocide to describe the killing of hundreds of thousands of ethnic Armenians at the end of World War II by Ottoman Turks (Jan. 26). Parliament stopped short of describing the killings as genocide, saying that it traditionally didn't issue judgments on historical events. While Armenia has pushed hard for foreign governments to recognise the killings as a genocide, Turkey has refuted all allegations of an organised genocide.

TM/TJ/UZ: Diplomatic spat brews over rail link

Turkmenistan's foreign minister issued a statement complaining about a press release by Tajikistan which said that it wanted to build a railway link to Russia that bypassed Turkmenistan and instead traversed Uzbekistan (Jan. 25). The Turkmen statement said that Tajikistan's press release had been unethical. Uzbek-Tajik relations have improved markedly since the death in September of former Uzbek dictator Islam Karimov. The Turkmen diplomatic note is a reminder the ties between Central Asian countries are often strained and fractured.

SECURITY

AZ: 17 sent to prison for links to Muslim group

A court in Baku sentenced 17 people to up to 20 years in prison for plotting to overthrow the government and for trafficking (Jan. 26). The men, 16 of them described as members of a group called Muslim Unity, were all arrested in a suburb of Baku in December 2015. The suburb was renowned for its pious nature. Police cordoned off the area during the arrests which triggered a shootout in which six people were killed. Rights protesters have called the trial a sham and a show trial.

UZ: 40,000 prisoners released

In possibly the biggest mass amnesty by a former Soviet state, Uzbekistan pardoned 40,000 prisoners (Jan. 24). The amnesty focused on inmates imprisoned for minor crimes, foreigners, women, young offenders and people over the age of 60. Human rights groups accuse Uzbekistan of locking up political prisoners. No notable political prisoners were released. Central Asian countries use amnesties to mark anniversaries and to release pressure on their prison populations.

KZ: NYC Kazakh supported IS

A Kazakh national arrested at New York's JFK Airport in 2015 admitted in court to being a sympathiser of the radical IS group, US media reported (Jan. 20). Ahror Saidahmetov, 21, who was living in New York at the time of his arrest, faces 15 years in jail. Kazakhstan and other countries in the region have been fighting IS recruitment.

TJ: 36 terrorist attacks apparently stopped in 2016

At a press conference in Dushanbe, the Eurasianet website reported that Tajik interior minister Interior Minister Ramazon Rahimzoda said that the country's security forces had stopped 36 terrorist attacks in 2016 (Jan. 20). No independent analysis of the figures was available.

AM SOCIETY

Armenia to introduce graphic smoking disease pictures on cigarette packets

>>Eurasian Economic Union members will have to introduce the new pictures this year

YEREVAN -- The five member states of the Kremlin-lead Eurasian Economic Union (EEU) are preparing to act on new rules that will mean they have to place graphic warnings about smoking on all cigarette packages.

Lawmakers have heralded the move as an important step towards deterring smoking but many people in the notoriously hard-smoking former Soviet Union think it is a pointless piece of bureaucratic self-indulgence.

In Yerevan, Armen Manvelyan, 32, drew hard on his cigarette. It was cold, and snow lay on the streets. Like many Armenian men, he had been smoking since school. All his attempts to quit had failed.

"I don't think people realise that it is dangerous," he said. "They just find it really hard to stop smoking. I haven't see any awful photos on cigarette packs yet but surely they are not going to stop me."

In Russia the new regulations regarding cigarette packaging have already come into force but Armenia has until November 2017 to enforce them.



>>People walk past a kiosk selling cigarettes in Yerevan

>>The Bulletin

From then, cigarette packets will carry photos of smoke-affected organs and the names of diseases linked to smoking.

Smoking is part of Armenia's culture. According to Alexander Bazarchian, director of the state's National Institute of Health half of all men smoke and every year 4,000 people die of smoking-related diseases.

Mr Bazarchian said that the new EEU directive was important.

"Using photos of smoke-affected organs is an internationally proved

practice to reduce the number of smokers," he said.

The Armenian health ministry welcomed the reforms and there have already been a number of moves to cut down on the popularity of smoking. This has included banning cigarette advertising and banning smoking in many buildings and areas.

Importantly, though, in many restaurants and bars, where there is no mandatory ban, the air is thick with cigarette smoke. The EEU and Armenian officials want to change this.

KG HUMAN RIGHTS

Kyrgyz civil leaders criticise crackdown on Facebook as an "invasion of human rights"

BISHKEK -- Rights groups and civil society leaders in Kyrgyzstan have criticised the government for moves to monitor Facebook for comments critical of the president (Jan 25).

The row centres on the Kyrgyz National Security Committee's (GKNB) move to identify and monitor 45 Facebook users who have criticised President Almazbek Atam-

bayev. Facebook in Kyrgyzstan is one of the few mediums ordinary people use to express political opinions.

But Klara Sooronkulova, a former judge of the Constitutional Court who was sacked in 2015 because of a disagreement with Parliament over the use of people's biometrics data said the move was wrong. "It is invasion of privacy and violation of

human rights," she told The Conway Bulletin.

A Bishkek analyst who preferred to remain anonymous said politics may be motivating the clampdown.

"The next presidential elections are coming [in October]," he said. "They are taking measures to control chaos by trying to control who criticises the President."

POLITICS

GE: MPs force debate on gas deal with Russia

Opposition MPs in Georgia's parliament have forced a debate on Feb. 3 on the terms of a new gas deal struck with Russia at the beginning of the year, piling pressure on energy minister Kakha Kaladze to reveal details of the new arrangement (Jan. 23). Under the deal, Georgia will pay for gas from Russia directly, rather than take a 10% cut of the volume that Russia sends to Armenia. Mr Kaladze has refused to give out details of the deal but his opponents have called it a risk to national security.

>>See The Briefing on page 8 for more

GE: President blocks parliamentary bill

Georgian president Giorgi Margvelashvili vetoed a bill passed through parliament, which is dominated by the Georgian Dream coalition that he represents, that he said would damage the independence of the courts (Jan. 24). The proposed bill had focused on changing the process through which court judges are appointed. Mr Margvelashvili and the Georgian Dream have increasingly rowed over governance issues.

AM: Opposition form vote bloc

The leaders of Armenia's three main genuine opposition parties -- the Republican party, Bright Armenia and Civil Contract -- have confirmed that they will fight a parliamentary election set for April as a united opposition bloc (Jan. 24). The bloc is called Yelik, Way Out. Leaders of Yelik said that they are in negotiations with the Heritage party, the fourth main opposition party, for it join too.

TRADE ROUTES

AZ/GE: Railway link is 2 months from completion

The 840km Baku-Tbilisi-Kars railway link between the Caspian

Sea and central Turkey will be completed in the next two months, Turkish energy minister Ahmet Arslan told media (Jan. 22). The route is seen as a vital piece of infrastructure linking Europe and China. Mr Arslan said it would double the cargo capacity between Turkey and the Caspian Sea and become an important part of China's so called "One Belt, One Road" trade project.

UZ: Trade deal signed with Afghanistan

Uzbekistan's Foreign Minister Abdulaziz Kamilov led a delegation to Kabul to sign a trade declaration that both sides said should lift bilateral trade to \$1.5b (Jan. 25). The deal highlights improved trade relations between Afghanistan and Uzbekistan, something that both sides have been working towards.

TJ: Somon Air flights to Russia to restart

Russia agreed to lift restrictions on Tajikistan's Somon Air flying to the Russian regions after talks in Dushanbe (Jan. 27). The routes to Krasnoyarsk, Krasnodar, Ufa and Orenburg by Somon Air are a vital part of the transport infrastructure that allows Tajik migrants to work seasonally across Russia and to send vital remittances home. The Somon Air flights had been banned since mid-December after a row between the two countries' aviation divisions.

OIL+GAS

KZ: Union leaders arrested

The New York-based Human Rights Watch criticised the Kazakh authorities for arresting two union leaders on Jan. 20 for allegedly organising a hunger strike by oil workers earlier in the year against the closure of a union confederation structure (Jan. 26). The two union leaders, Amin Yeleusinov, and Nurbek Kushakbayev, have been placed in pretrial detention. The Kazakh government wants to reduce the power of the unions, who they blame for a series of strikes since 2011.

TM: Gas bill negotiations continue with Iran

Turkmenistan said that it was prepared to enter negotiations with Iran over a disputed gas bill of \$1.8b, although it still retains the right to take the dispute to an international court (Jan. 26). Turkmenistan cut off gas supplies to Iran last month after accusing it of not paying debts it said had built up from 2007/8. The row has surprised observers who have watched Turkmenistan-Iran relations improve.

TM: TAPI project is delayed says Pakistan

Completion of the \$10b Turkmenistan-lead TAPI gas pipeline that will pump gas from eastern Turkmenistan to Pakistan and India via Afghanistan has been delayed by a year to 2020, Pakistani media said quoting ministry officials (Jan. 26). They said that the delay had been caused because it had taken longer than expected to pull together the finance for the project.

SOCIETY

KG: Fines for swearing in public and drinking increased

Kyrgyz president Almazbek Atambayev signed into law a decree that increased fines handed out to people who swear on the street and drink in office blocks, media reported (Jan. 24). Police officers can now hand out fines of 15,000 som (\$200) for swearing in public and 10,000 som for drinking in the workplace.

MEDIA

KZ: Editor given suspended sentence

A court in Astana gave Bigeldi Gabdullin, the 61-year-old editor of the Central Asia Monitor newspaper, a five year suspended jail sentence after he pleaded guilty to trying to extort bribes from officials (Jan. 25). Media freedom activists said Gabdullin had only avoided a jail sentence because he had been pressured into admitting guilt.

KZ SOCIETY

EXPO-2017 will delay start of university term

ALMATY -- Kazakhstan's ministry of education ordered universities in Astana to start their academic year for 2017/18 late because of EXPO-2017 which is scheduled to run from June 10 to Sept. 10 (Jan. 23).

The education ministry has not explained why it needed students to begin their term late but long-term residents of Astana said it was likely to be to try and reduce pressure on the city's public services and to reduce traffic on its streets.

Many students are unimpressed.

"Humanly, it is not normal," said Gabit, a student at one of the medical universities in Astana. "It is inconvenient, for us and for the doctors who teach us since they have to work after shift. They were indignant at first but unfortunately the decree is already released."

The education ministry was unavailable for the comments.

The organisers of EXPO-2017 have been planning the event for years. They expect thousands of visitors from all around the world to converge on Astana, the Kazakh capital that President Nursultan Nazarbayev built on the windswept steppe in the mid-1990s, for three months, testing its services to the limit.

They are also under extra pressure because Mr Nazarbayev, keen to promote Kazakhstan, has taken a personal interest in EXPO-2017.

Didar Sarsenov who lives in Astana said that he could see why the government wanted to delay tens of thousands of students from returning to the city for their studies.

"On the one side it is the right thing to do, from the other it is not," he said. "They must cope with the flow of people. But proper organisation (of EXPO-2017) should mean that the study process starts on time."

GE ECONOMY

Georgian Central Bank raises interest rates

>>Near-term inflation means rates have to rise, says C.Bank

TBILISI -- Georgia increased its key interest rate by 0.25% to 6.75%, its highest level since September 2016, because it said that inflation was beginning to pick up again (Jan. 25).

The data shows that consumer demand in Georgia is still weak, year-on-year prices rises in December were measured at 1.8%, but the Central Bank said that its forecasts showed inflation rising throughout the rest of the year.

"The monetary policy decision is based on the macroeconomic forecast, according to which while demand side pressure on prices is weak, inflation is expected to be above its target rate for the most of the 2017," it said in a statement.

Georgia's inflation target was 5% for 2016 and is 4% for 2017.

Georgia has cut taxes on reinvested company profit, pledged to invest an extra 600m lari (\$225m) in infrastructure projects and cut a free-trade deal with China.

Also on Jan. 25, Bloomberg News published an interview with Georgian finance minister Dimitri Kumsishvili. He said that a blend of tax cuts and spending on infrastructure would help Georgia's economy grow by more than the predicted 4%.

Last year, weighed down by a collapse in the value of its currency a recession in Russia and the poor economic condition of its neighbours Azerbaijan and Armenia, annual GDP growth in Georgia measured 2.7%.

Since June 2016, Georgia's lari currency has lost 21% of its value. The Georgian Central Bank has largely refused to buckle to demands to spend wildly to support the lari's value and Mr Kumsishvili was adamant that the best way to strengthen it was through the economy.

"Strengthening the economy is the answer for the lari rate, this is the main task," he told Bloomberg.

UZ SOCIETY

Uzbekistan hints that exit passports may be scrapped

A presidential decree in Uzbekistan appeared to suggest that the hated exit visas that ordinary Uzbeks need to be able to leave the country may be scrapped (Jan. 24).

If the decree becomes law, it will herald one of the biggest changes in the way that Uzbekistan is governed and change the power and control the authorities can impose over people.

The scrapping of exit visas was just one section of a long document which focused on relaxing identification and travel documents. It said

that a decision would be made by the third quarter of 2017. There was no timetable, though, on when it would be implemented.

Government officials later tried to row back on the prospect of the authorities relaxing their grip over ordinary people.

The US-sponsored Radio Free Europe/Radio Liberty reported that its journalists had spoken to several officials at the interior ministry who emphasised that the plan was just a proposal and may not be adopted.

The Briefing

Georgia's difficult gas deal with Russia

>> Georgia's president Giorgi Margvelashvili, and others, has questioned a new gas deal with Russia heralded by energy minister Kakha Kaladze. James Kilner, the Bulletin's editor, explains the issues.

>> Why are people getting so upset about this new gas deal between Georgia and Russia?

>> After a couple of rounds of negotiations in Geneva, Georgian energy minister Kakha Kaladze returned to Tbilisi heralding a new gas deal which he said he had negotiated with Russia that was better than the previous arrangement. The new arrangement returned to a monetised price that Georgia would pay Russia for gas rather than, under the old deal, take a 10% cut of the volume that Russia sends to Armenia.

>> Right. But why would Georgia want to start paying for gas rather than just take a slice of the transit volumes?

>> That's exactly the point. Kaladze returned from Geneva heralding the new deal as a victory for Georgia over Russia but it could be more of an own goal. Certainly Margvelashvili was immediately critical of the deal. He may have been playing politics, he has fallen out with his former colleagues in the Georgian Dream coalition and often sounds like an independent politician, but his concerns have been parroted by others too.

>> Go on. What are the details?

>> Kaladze was coy with the details of the deal and exactly how much Georgia would now have to pay

Russia for gas but a think-tank called World Experience for Georgia (WEG) said that it would now have to pay \$185 per 1,000 cubic metres of gas which is more than Armenia and Germany pay for their gas.

>> So what have the Georgian energy ministry and Kaladze said?

>> Surprisingly little, other than back Kaladze's statement that the price negotiated was a good one. And this secrecy could be part of the problem. They have said that the actual price negotiated is a commercial secret, a statement that hasn't gone down well.

>> But there must be some upside put forward by the government other than the price.

>> The deal does give Georgia more flexibility about where it sources its gas. It is likely that Azerbaijan's Socar will be the big winner here with more gas being sourced from them.

>> And Kaladze? What has he said?

>> He's come out fighting as he knows that his political reputation is on the line. Without being any more specific on the pricing structure agreed with Russia, he accused Pres. Margvelashvili of being unpatriotic. This row is likely to run and run and may have more far reaching political implications.

The Brainteaser Quiz no. 2

This is, possibly, the world's only quiz dedicated to Central Asia and the South Caucasus. Win a highly-coveted Conway Bulletin branded mug or pen by answering these two questions:

1) Why are these capital cities placed in this order?

Tashkent
Baku
Tbilisi
Yerevan
Ashgabat
Bishkek
Astana
Dushanbe

2) Name this well-known building in Central Asia/South Caucasus.



The answers to Brainteaser no. 1 were: 1) The capital cities were ordered from east to west 2) The famous building was the Mausoleum of Khoja Ahmed Yasawi in Turkestan, Kazakhstan. The winner, and now shortly to be the first owner of a Conway Bulletin pen, was a member of the diplomatic community in Baku.

(All answers for Brainteaser Quiz no. 2 to editor@theconwaybulletin.com)

INSIDE >> Eurocopter Kazakhstan Engineering says that it has given up helicopter manufacturing >>

Revenues at Kcell collapse as mobile users feel economic chill

>>Kcell, the biggest mobile operator in Kazakhstan, posts revenues down 12.7%

ALMATY -- Kcell, Kazakhstan's biggest mobile operator, felt the full force of the regional economic slowdown in 2016 with revenues falling 12.7% to 147b tenge (\$444m), its lowest since 2009 (Jan. 27).

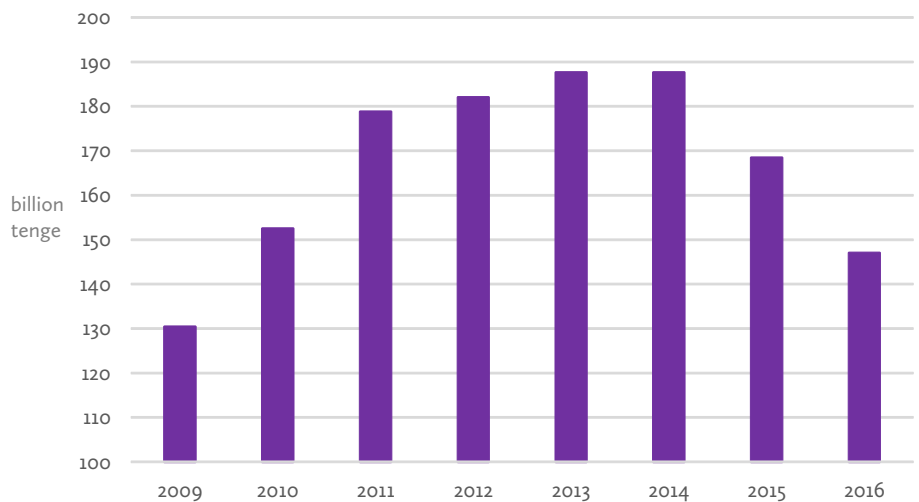
Kcell's annual reports are important because they provide one of the few open and accurate insights into how Kazakh companies are handling a sharp economic slowdown triggered by falling oil prices and a recession in Russia.

The company, which is part-owned by the Kazakh government and part-owned by Sweden's Telia, also said that a drop in profit margin had reduced its overall profit by 41% to just over 31b tenge (\$94.5m).

In a statement, Kcell CEO, Arti Ots, admitted that 2016 had been tough.

"2016 was extremely challenging for Kcell, although at the end of the year we saw early signs of market stabilisation," he said.

"As we move into 2017, there are positive signs of economic recovery in Kazakhstan, with an easing in consumer price inflation and



>>Kcell annual revenue

>>CB-data

indications of growth in the economy."

A collapse in the value of the tenge, economic stagnation, job losses and a fall in vital remittance values all hit the Kazakh economy in 2016.

The specific improvements that Mr Ots referenced include a boost to revenues from demand for contract phones which has fed through into a third consecutive quarter of revenue increase.

"We are now seeing a positive interconnect balance with revenue exceeding costs and we expect this situation to continue in 2017," he said.

The details of Kcell's financial results also reflect the turbulence of the Kazakh economy, including rising inflation. Kcell said that costs had risen by 19.2% in 2016 to nearly 11b tenge (\$33.5m). A spokesperson for the company said that some of this cost increase was triggered by a rise in staffing costs at new outlets.

AZ BANKING

Azerbaijani government increases IBA stake

Azerbaijan's government has bought another chunk of equity in the country's largest bank, International Bank of Azerbaijan (IBA), another indicator that its banking sector needs propping up to survive (Jan. 27).

IBA issued more shares on Jan. 26, allowing the government to increase its stake in it to 76.73% from 54.96%.

The share purchase appears to fly in the face of a statement by Rufat Aslanli, chairman of Azerbaijan's financial supervisory agency who said in November that the government would privatise IBA in 2017.

The Trend news agency quoted an IBA statement as saying that the government stake increase was needed

to shore up the stability of the bank and to protect it from the downturn.

Analysts have been warning that Azerbaijan's banking sector is particularly fragile with many borrowers unable to repay loans. Azerbaijan's economy shrank by 3.8% last year and its manat currency has halved in value.

>>More to follow next week

OIL+GAS

KZ: Gas deal with Gazprom

Russia's Gazprom will buy 12.8b cubic metres of gas from Kazakhstan in 2017 continuing its strategy of preferring Kazakh gas suppliers over other regional companies (Jan. 24). Kazmunaigas has boosted its cooperation with Gazprom over the past few years while other state companies linked to Turkmenistan and Uzbekistan have lost ground.

KZ: New oil field discovery

Kazakhstan's energy ministry said that it had found a new oil and gas field in the west of the country (Jan. 24). The field, known as Ansagan, is located Zhylyoi region near Atyrau. Officials didn't give any indication of the scale of the find but said instead that exploration was continuing. Kazakhstan's economy is reliant on oil and gas.

KZ: Fluor wins Kashagan contract

The Britain-based subsidiary of the US' Fluor said that it had won a two-year engineering services deal with the North Caspian Operating Company (NCOC), the consortium of companies exploiting the giant Kashagan oil field in the Kazakh sector of the Caspian Sea (Jan. 24). No value was put on the contract but it will be a boost to Fluor which has developed a strong regional strand of work.

KZ: Malaysian oil exploration

Nakamichi Corporation Berhad, a Malaysian independent oil company, signed a deal with Aktau Transit to invest \$146m in two oil fields in west Kazakhstan (Jan. 20). The deal commits the two companies to explore the oil fields.

FOOD

KZ: Dutch chip-maker scouts sites

Dutch potato chip manufacturer Farm Frites is considering setting up

a plant in northeast Kazakhstan, Kazakh deputy PM Askar Myrzakhmetov, Kazakh deputy PM and agriculture, said (Jan. 25). Farm Frites supplies frozen potato chips to restaurants. A deal with Koktem Agricultural services, the company it is negotiating with, would give the Kazakh government a boost as it has said it wants to diversify away from oil and gas.

BANKING

KZ: Selling up Bank CenterCredit

South Korea's Kookmin Bank is likely to sell its 41.9% stake in Kazakhstan's Bank CenterCredit because of mounting losses, Korean newspapers reported, a blow to the reputation of the Kazakh banking sector (Jan. 22). Kookmin Bank bought its stake in Bank CenterCredit in 2008 for 940b won (\$800m) but it has written down the value of the stake several times since then to virtually zero. Kazakh banks have been under mounting pressure over links to bad debt that have built up over the past couple of years as its oil-backed economy has weakened. Bank CenterCredit has been especially vulnerable because of its exposure to the mortgage sector which soured after a 50% devaluation of the tenge in 2015. Bank CenterCredit has not confirmed the reports.

KZ: Halyk Bank says in talks with KKB

Ending weeks of speculation, Halyk Bank, owned by the son-in-law and daughter of Kazakh President Nursultan Nazarbayev, said that it had started talks with Kazkommertsbank, the country's biggest bank, on merging (Jan. 20). A potential merger between the two banks would create a company that would dominate the Kazakh banking sector with a market share of around 40%. Unnamed sources in November 2016 had told Reuters that a merger between the two banks was being discussed in secret.

CONSTRUCTION

TJ: Cement exports increase

Tajikistan quadrupled its cement production in 2016 to 2m tonnes and opened up export routes to its neighbours, media reported quoting the ministry of industry (Jan. 25). Chinese investment has built three new cement-making factories, adding a vital export to Tajikistan's economy. Previously Tajikistan had only exported to Afghanistan and Kyrgyzstan. Now it also exports to Uzbekistan.

AVIATION

AM: New Russia-Armenia airline

Russia and Armenia are likely to set up a new airline to fly routes between Yerevan and Moscow, Vahan Martirosyan, Armenia's communications and technology minister, was quoted as saying (Jan. 26). Armenia has been without a national flag-carrier since 2013 when Armavia was declared bankrupt. The privately-owned Armenia, a low-cost airline, started flights last year to Russia.

GE: Ukrainian airline to start flights to Georgia

YanAir, a small Ukrainian airline, is planning on running flights from Odessa to Tbilisi and Batumi, media reported (Jan. 26). The new routes highlight the increase in air traffic to the South Caucasus. Batumi is being developed as Georgia's main tourist hub.

TOURISM

GE/AM: Enterprise signs car rental franchise deal

US car rental company Enterprise, which owns the Enterprise, Alamo and National brands, said it had made a franchise deal with Yerevan-based TravelCar (Jan. 26). The deal will expand the brands to Armenia and also to neighbouring Georgia. The deal is part of a global drive by Enterprise to spread its business across the Middle East and Asia.



Kazakhstan scraps helicopter manufacturing

>>The economic downturn has undermined demand for helicopters at the Astana plant

ALMATY – Eurocopter Kazakhstan Engineering, a headline joint-venture set up in 2011 between Kazakhstan Engineering National Company and France’s Airbus Helicopters, has stopped manufacturing helicopters because of the economic slowdown, its CEO, Timur Tilinin, said in an interview with the pro-government Astana Times newspaper (Jan. 24).

The company was licensed to manufacture the Eurocopter 145, a twin engine utility helicopter that can be used as passenger transport or for search and rescue missions. It can carry up to nine passengers and two crew.

Mr Tilinin said that Eurocopter Kazakhstan Engineering was the backbone of the Kazakh aviation industry and that it had manufactured 26 Eurocopter 145s since 2011, eight for the ministry of defence and 18 for the ministry of interior’s emergency service.

“Unfortunately, due to the (economic) crisis we halted the project,” he said. “In mid-2015, ECKE



>>A Eurocopter 145s at the Astana plant

Pic: Eurocopter Kazakhstan Engineering

launched a transformation plan to move from pure manufacturing to, first, becoming the distributor of Airbus helicopters in all Central Asia and, second, performing maintenance of the aircraft. We do the maintenance of all the helicopters we have produced.”

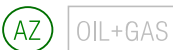
Moving from manufacturing helicopters to being a distributor service centre will dent the prestige of the project. It also underlines just

how heavily Kazakhstan has been hit by the economic downturn.

Government agencies, Eurocopter Kazakhstan Engineering’s only clients, have been hard hit.

Part of the distribution process involves reassembling helicopters which are manufactured in Germany and then dismantled for export.

Kazakhstan is striving to broaden out its industrial base away from oil and gas.



Socar wants Turkey petrol stations

In an interview with the Turkish newspaper Sabah, Socar Turkey Energy director general Zaur Gahramanov said the company was committed to opening a chain of petrol stations throughout Turkey (Jan. 23).

Socar is bidding to buy the 1,785 petrol stations belonging to Austria’s OMV in Turkey. Even if Socar’s bid fails it will look to buy up petrol

stations in Turkey. Socar owns the Star Refinery in Izmir. The \$6b refinery is due to start production in April 2018 and is Socar’s biggest overseas investment.

“The acquisition of OMV Petrol Ofisi is the most suitable option for Socar, but we have alternatives,” he said. “We can launch talks on the acquisition of another company or create a new network in Turkey.”

Socar owns a network of petrol stations in Georgia and has been looking to expand. The collapse in oil and gas prices since 2014 has forced Azerbaijan to change its focus to downstream products and services.

OMV bought the petrol stations between 2006 and 2010 for \$2.5b. Aramco, Petromium-C consortium and Vitol are also bidding to buy the petrol station network.

MARKET NEWS

>> Devaluation in Uzbek som accelerates >> KAZ Minerals hits 4-year high; releases upbeat 2017 forecast >>

CURRENCIES

Armenian dram	486.17/\$1	—
Azerbaijani manat	1.93/\$1	↓ 3%
Georgian lari	2.70/\$1	↓ 1.1%
Kazakh tenge	328.5/\$1	↑ 1.5%
Kyrgyz som	69.3/\$1	↑ 1%
Tajik somoni	7.89/\$1	—
Turkmen manat	3.5/\$1	—
Uzbek sum	3,265/\$1	↓ 0.5%

STOCKS

Centerra Gold	C\$6.56	↓ 0.7%
Central Asia Metals	235p	↑ 0.9%
KAZ Minerals	440p	↑ 7.3%
Tethys Petroleum	1.38p	—
Nostrum Oil & Gas	469.6p	↓ 0.5%
Roxi Petroleum	9.5p	↓ 6%
Bank of Georgia	2872p	↑ 2.6%
Georgia Healthcare	348p	↓ 4.3%
TBC Bank	1500p	↑ 3.4%

COMMODITIES

Oil (Brent)	\$56.24/b	↑ 1.3%
Gold (spot)	1204.25p	↓ 2.1%
Copper	\$267.3/lb	↑ 2.4%
Cotton	\$74.2/lb	↑ 2%

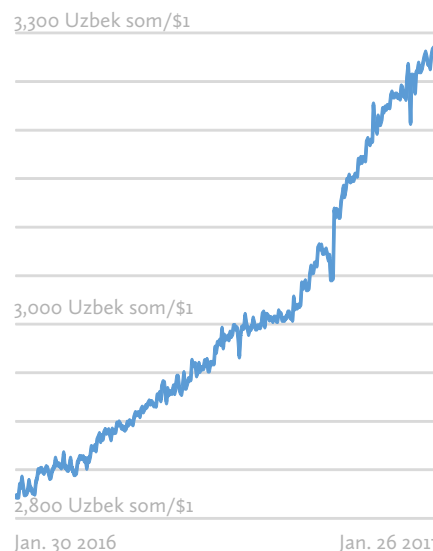
Editor's note: These tables normally measure the weekly change in the price of stocks, commodities and currencies. In this instance until, though, the data measures the change from Jan. 26 2017, the last previous measure by the The Conway Bulletin of these prices.

Devaluation of the Uzbek som speeds up after Karimov's death

Since the beginning of September, the Uzbek som has dropped from an official rate of just under 3,000/\$1 to around 3,265/\$1 – a fall in value of nearly 9%.

It's a tightly managed currency and, straight away it needs to be pointed out that the unofficial black market rate for the som is around a third cheaper, but this managed devaluation is still important. Islam Karimov, president of Uzbekistan since 1991, died at the beginning of September and since then the devaluation of the som as accelerated. The graph shows this inflection point.

New Uzbek president, Shavkat Mirziyoyev, gas said that he wants to promote personal liberties in Uzbekistan. This attitude has also extended to liberalising currency controls and Mr Mirziyoyev has



>>Uzbek som vs US dollar >>CB-Data

talked about making it easier for ordinary Uzbeks and companies to take money out of the country. He may also want to reduce the price of an overvalued som more quickly than his predecessor.

KAZ Minerals jumps to 4-year high after positive 2016 results

Shares in Kazakhstan-based copper producer KAZ Minerals pushed up to near a four-year high of 449p on Jan. 25 just before bullish 2016 results.

In the results, CEO Oleg Novachuk also said that output growth will continue in 2017.

“I am pleased that we have achieved our copper and byproduct guidance for 2016, a 73% increase in copper output on the prior year, as we successfully ramped up Bozshakol and the Aktogay oxide plant,” he said. “Our growth will continue in 2017 as Bozshakol reaches capacity and we commence production from sulphide ore at Aktogay.”

Mr Novachuk also said that KAZ Minerals' results had been pushed up by lower-than-expected costs.

The share price of KAZ Mineral, which used to be called Kazakhmys and has been linked closely to the Kazakh elite, has nearly quadrupled in a year far out-stripping a 30% increase in copper prices. For comparison – at the end of 2015 KAZ Minerals' share price bottomed out at under 100p.

Stock analysts put the increase down to KAZ Minerals' new plants coming online. Some also indicated that they thought there more value in the stock in 2017 with a buy rating.