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## European Parliament votes to give Georgia visa-free access

>>Visas for Georgians will be dropped later this month after suspension mechanism is agreed

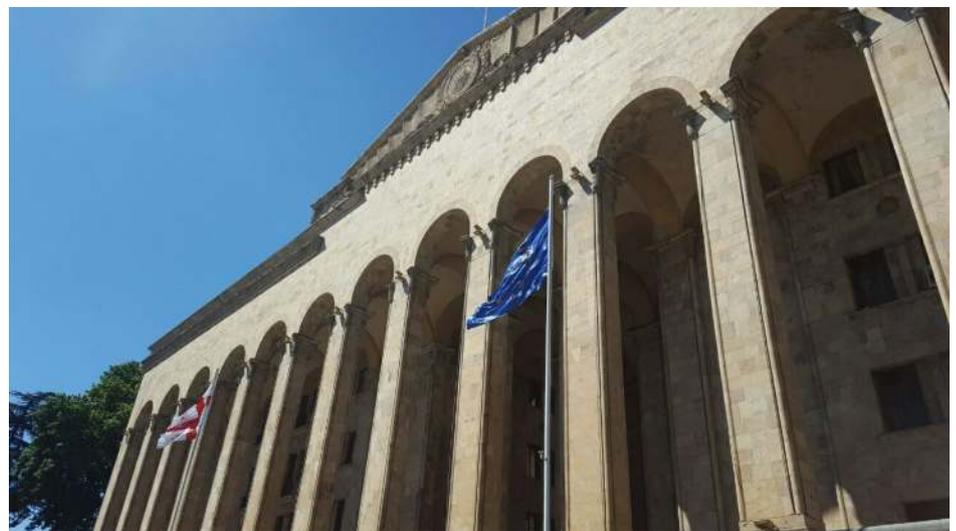
TBILISI -- As expected, the European Parliament voted 553 to 66 in favour of allowing Georgians and Ukrainians visa-free travel to the Schengen Zone, a major victory for Georgia's pro West foreign policy (Feb. 2).

Once the European Parliament and European Council have worked out a mechanism that allows them to quickly suspend visa-free access if needed, Georgians will be able to start travelling to the 26-country Schengen zone and stay for 90 days without applying for a visa. This is expected by the end of February.

For Georgia, this is a major victory towards greater integration with the West.

Georgian PM Giorgi Kvirikashvili was in Strasbourg for the European Parliament vote.

"Today is a day of historical significance for Georgia," he said in a statement after the vote. "Indeed, today marks Georgia's great success! Today's decision will prove that Georgia's policy on drawing closer to the



>>The former parliament building in central Tbilisi

Pic: The Bulletin

European Union brings tangible results for every Georgian citizen."

But, although it is clearly a major achievement for Georgia, it is unlikely to bring their ultimate ambition of joining the European Union any closer.

Alex Nice, a Central Asia and South Caucasus analyst at the Economist Intelligence Unit (EIU), explained.

"The reality is that this [Georgian EU accession] is not on the agenda for the EU," he said. "Given the internal challenges the EU faces - populist movements, the Brexit negotiations, the Greek debt crisis to name just three - and the conflict in Ukraine, the last thing the EU needs is to be drawn into is a contentious accession process with a country with an unresolved territorial dispute with Russia."

## Nazarbayev fires vice-PM Tasmagambetov

ALMATY -- In a surprise move, Kazakh president Nursultan Nazarbayev sacked his longtime ally Imangali Tasmagambetov as deputy PM and sent him to Moscow to be Kazakhstan's ambassador to Russia (Feb. 3).

The shift from central government to the diplomatic corps is a humiliating end to Mr Tasmagambetov's political career.

He had been a PM, mayor of both Almaty and Astana and also been the minister of defence. The 60-year-old

Tasmagambetov is popular with ordinary Kazakhs and had been touted by analysts as a potential successor to Mr Nazarbayev as president.

Mr Nazarbayev gave no reason for Mr Tasmagambetov's demotion.

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Person in the news

# Tasmagambetov sent to Moscow

>>Kazakh President Nursultan Nazarbayev has sent his ally Imangali Tasmagambetov into political exile in Moscow. James Kilner looks at Tasmagambetov and why he was once considered a future president.

Until last Friday, Imangali Tasmagambetov had a sparkling CV. He was considered the consummate Kazakh insider and the man with a hotline to the president. If Nursultan Nazarbayev, Kazakh president since independence from the Soviet Union in 1991, wanted something done, he turned to Tasmagambetov, his trusted lieutenant.

The urbane Tasmagambetov had been the Kazakh PM between 2002 and 2003; mayor of Almaty between 2004 and 2008; mayor of Astana between 2008 and 2014; defence minister from 2014 until 2016 and then a deputy PM until Feb. 3 2017. In each one of these sensitive positions, Nazarbayev personally appointed Tasmagambetov.

In Kazakhstan's myopic politics, Tasmagambetov had even been talked of as a president-in-waiting and, if he had been given the top job, this would have come as no major surprise as his career has closely tracked that of Nazarbayev.

Now, followers of Kazakhstan's politics will have to think again. Tasmagambetov will not be the next Kazakh president. That was made clear on Friday.

Instead, he will move to Moscow as the Kazakh ambassador to Russia, a diplomatic exile that will undermine his powerbase and take him away from the cauldron of Kazakhstan's Astana-based politics.

It is a manoeuvre that has served Nazarbayev well. He has dispatched other powerful figures to embassies where they have been forced to watch the main action from the sidelines.

Perhaps Tasmagambetov's error was to become too powerful and too popular. The 60-year-old had a high profile, bigger than almost all other Kazakh politicians because of his tenureship of both the Almaty and Astana mayoral positions. He was also considered by ordinary people in Kazakhstan to be one of the most "Kazakh" of the elite, a major advantage in a country grappling with its newfound nationalism. He was popular and considered a man who got stuff done.

Kazakh politics will move on without Tasmagambetov. For now. But he is an ambitious man, born into a humble household in western Kazakhstan who still retains a sizable support-base. Don't write off a comeback for the new Kazakh ambassador to Moscow.



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The Kazakh government admits that hackers attacked 21 government websites.

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Prosecutors are investigating reports that rescue workers looted a crash site where a cargo plane ploughed into a village.

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Russian president Vladimir Putin is to visit Dushanbe, setting off rumours that Tajikistan is to join the Eurasian Economic Union.

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Armenia says its wants to develop closer ties with its neighbour Iran, especially on military matters.

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Nine years after buying it, Korea's Kookmin Bank confirms that it will sell its stake in Kazakhstan's CenterCredit Bank to a consortium of Kazakh investors.

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.

UZ ECONOMY

# Mirziyoyev pledges to invest \$2.6b developing the Aral Sea region

>> Investment aimed at regenerating region blighted by Soviet environmental disaster

Uzbek President Shavkat Mirziyoyev ordered his government to spend \$2.6b developing the area around the Aral Sea, a major investment in a region that was decimated by one of the Soviet Union's most notorious economic development policies (Jan. 31).

Reporting on the decree, RFE/RL said that the investment would create new jobs and homes as well as improve sanitation and medical service.

The Aral Sea was once the world's fourth largest inland water but in the 1960s, the Soviets diverted water from the great Syr Darya and Amu Darya rivers that flow from the Pamir mountains into the Aral Sea, to irrigate their cotton fields. The Aral Sea was, literally starved of water. Since then the Aral Sea has lost 90% of its water and become a watchword for man-made environmental disasters.

The eye-catching initiative to regenerate the region comes at a time when Mr Mirziyoyev is trying to set himself apart from his predecessor, Islam Karimov, who died in September. He has ordered officials to repair



>>Moynaq used to be known for its fishing industry but now lies 60km from the sea

Pic: wiki

damaged relations with neighbours and also boosted domestic investment.

Although light on detail, the plan will give Karakalpakstan, the most western and poorest region in Uzbekistan, a boost.

And it needs it. Karakalpakstan's main city is Nukus, a former secret city built by the Soviets to house workers for their chemical weapons plants. Moynaq, 120km north through the desert, was the main city on the Uzbek side of the Aral Sea. It

used to house various industries, including a plant that canned fish for export across the Soviet Union. That plant and the rest of the town now lies rotting and rusting having been abandoned in the 1980s.

Eeking out a living in Moynaq is difficult. One of its main revenue earners now is from tourists travelling from Nukus to walk around and photograph the rusting fishing fleet now marooned 60km from the Aral Sea. It is described as a ships' graveyard.

CA SC CIVIL RIGHTS

# Freedom House says rights in Central Asia and the South Caucasus worsened in 2016

In its annual report mapping out the status of just how free people are to express themselves, the US-based NGO Freedom House said that in 2016 the countries of Central Asia and the South Caucasus cracked down on civil liberties (Jan. 31).

Freedom House rates Georgia as the best place for civil liberties in the

region, with a "Partly Free" status. It also gave this ranking to Armenia and Kyrgyzstan. The others were ranked "Not Free" with Turkmenistan and Uzbekistan listed as two of the most repressive regimes in the world.

"Apparently unnerved by the repercussions of a lengthy slump in oil prices, the rulers of Azerbaijan and

the Central Asian states used tightly controlled constitutional referendums to extend their rule into the future," Freedom House wrote.

The Freedom House assessment of civil rights broadly mirrors the assessment of human rights groups who have been warning of worsening conditions in the region.

ECONOMY

**GE:** Weakest economic growth since 2009

Georgia's economy grew by an estimated 2.2% in 2016, the slowest growth rate since 2009, media reported quoting the statistics service (Jan. 30). This was a drop from 2.9% in 2015 and 4.6% in 2014. Georgia, like the rest of the region, has been trying to deal with an economic slowdown linked to a recession in Russia and an overly strong US dollar.

**KZ:** Central banker wants to support banks

Kazakhstan's Central Bank chief Daniyer Akishev said that he wanted to use state funds to prop up big banks that are listing under the pressure of an economic downturn linked to a drop in oil and gas prices and a recession in Russia (Feb. 3). He told a government meeting that the Central Bank was going to evaluate the quality of the banks' assets later this year.

**UZ:** New bank supporting agriculture set up

Uzbekistan will set up a new bank called Uzagroexportbank to support agriculture and farm exports, media reported (Jan. 30). The new bank is another signal that new president Shavkat Mirziyoyev is trying to boost support for independent businesses. Analysts have previously identified agriculture as a way to boost Uzbekistan's productivity.

SECURITY

**KZ:** Unregistered mobile phones to be blocked

A new law means that all unregistered mobile phones in Kazakhstan will be blocked from July 1 2017 (Feb. 2). The authorities say that the new law has been brought in to help fight potential terrorists but its detractors have said that it has been imposed to help the authorities monitor people who oppose the government more closely.

**AZ:** Security forces shoot dead four alleged terrorists

Security forces in Azerbaijan killed four alleged terrorists who had been plotting a series of attacks, media reported quoting a government statement (Jan. 31). Reports did not say where the shootout had taken place. It is unusual for Azerbaijan to report a shootout between its security forces and alleged terrorists. Azerbaijan and other countries in the region have been trying to deflect a recruitment drive by the extremist IS group.

**KZ:** Kazakh national arrested in Afghanistan

The authorities in Afghanistan have arrested a Kazakh national on suspicion of having links to terrorism, media reported quoting the Afghan foreign ministry (Jan. 27). Media reports said that the man was from Atyrau and that he had been arrested in the northern part of Afghanistan. Kazakhstan has been trying to dampen an increase in recruitment by the radical IS group but it is rare for Kazakhs to be arrested in Afghanistan for links to Islamic extremists.

**TM:** Arming Caspian Sea patrol boats

The Eurasianet website reported that Turkmenistan has deployed new French missile systems on its two new Turkish-made patrol boats in the Caspian Sea (Feb. 1). The countries that border the Caspian Sea -- Iran, Russia, Kazakhstan, Turkmenistan and Azerbaijan -- are still squabbling over just how to divide it up. Tensions have previously flared up.

**GE:** Georgians injured in African helicopter crash

Two Soviet-era Mi-24 military helicopters crewed by Georgians and Belarusians collided on the border of Rwanda and Uganda, media reported (Feb. 1). The Georgian ministry of defence said that the Georgian crew were working privately and were not employees of the Georgian military. It's unclear how serious the crews' injuries are. The incident does highlight the use of contractors from Georgia and other parts of the former Soviet Union who were trained to fly Soviet planes and helicopters.

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SPORT

**KZ:** Student Olympiad opened

Kazakh president Nursultan Nazarbayev opened the 28th Winter University Olympiad in Almaty, an event that he said was the biggest sporting event ever held in Kazakhstan (Jan. 29). The Olympiad is important to Kazakhstan as a way of promoting itself on the international stage. This year it also hosts EXPO-2017 in Astana, an event it has been planning for years.

POLITICS

**KZ:** Nazarbayev speech

Kazakh president Nursultan Nazarbayev made his second televised address to the nation in less than a week in which he promised to improve the country's economy (Jan. 31). The speech was short on detail and instead sounded like a to-do list. It had been billed as a follow-up to a speech last week in which Mr Nazarbayev said that he wanted to increase democratic reforms in Kazakhstan. He did talk about strengthening cyber security and adopting a new subsoil law.

**GE:** Amnesty given to former MoD employees

Georgian President Giorgi Margvelashvili amnestied seven former defence ministry employees who had been imprisoned for seven years in 2014/15 for embezzlement (Jan. 27). The case was high profile and led to the resignation of Irakli Alasania as minister of defence. Mr Alasania had once been considered a high flyer member of the Georgian Dream party.

GE SECURITY

# Hundreds protest in Tbilisi against job cuts by Georgia's defence ministry

>> Hundreds of soldiers and civil servants have lost their jobs since December

TBILISI – Since December, Georgia's defence ministry has laid off several hundred civil servants and soldiers, a round of redundancies aimed at modernising the army and reducing costs.

The lay-offs have triggered protests including one on Jan. 30 when a few hundred people marched in Tbilisi (Jan. 30).

Protesters said 1,750 civil servants and 340 soldiers have lost their jobs without any compensation. Another 209 officers quit their jobs voluntarily.

Elguja Urushadze, a former Lieutenant Colonel who used to teach at the military academy, told the Bulletin that he was fired without any notice.

"I served in the Georgian National Army since the very first days of its existence," he said. "I have been teaching protection from weapons of mass destruction since 1991. I was on a work trip on the 12th of January when they called me and told me I was removed from office. On the papers, my last working day was the 11th of January."

Georgia wants to join NATO and has supported its mission in Afghan-



>> Protesters against defence ministry cuts march through Tbilisi

Pic: The Bulletin

istan. It also has a detachment of soldiers supporting an EU mission in the Central African Republic.

It said that as well as cutting costs, the so-called "Optimisation" process was needed to bring the Georgian army into line with its NATO allies.

"In 2016, 67% of the 670m lari (\$250m) budget funds were calculated for salaries and social expenses and only 33% was spent on the military technique, ammunition and on other needs," the defence ministry said. "NATO standards say that payroll

and administrative expenses should make up 50-53% of budget funds."

It also said that the reforms will save 32m lari, 5% of the total budget.

The protesters, though, said they will continue until they are properly compensated for their job losses.

David Nemsadze, a retired army officer and now a human rights worker specialising in military affairs said: "During the layoffs process, the working code was violated. The selection process was not transparent at all."

AZ CORRUPTION

# Council of Europe investigates alleged bribery by Azerbaijan

The Parliamentary Assembly of the Council of Europe (PACE) ordered an investigation into possible bribing of its officials by Azerbaijan (Jan. 27).

The allegations focus on Luce Volonte, an Italian former leader of the European People's Party. Anti-corruption activists have accused him of taking up to 2.4m euros between 2012 and 2014 for setting up

a bloc within PACE to boost Azerbaijan's reputation and dampen attempts to sanction its crackdown on human rights.

Mr Volonte, who is currently being investigated in Italy, has denied the allegations.

In a statement, PACE said that the allegations had damaged its reputation and that it had to act.

"Whether they prove to be founded or false, such allegations undermine the Assembly's image and credibility as an institution and, in turn, the reputation of each and every one of its members," it said in a statement.

PACE is one of Europe's most high profile anti-corruption and pro-democracy bodies.

INT. RELATIONS

**AZ:** Russia complains about extradition of blogger

Russia has complained to Belarus about the extradition of a Russian-Israeli blogger to Azerbaijan, media reported (Feb. 2). Azerbaijan requested the arrest and extradition of Alexander Lapshin because it said that he had visited the breakaway region of Nagorno-Karabakh illegally. The complaint and ensuing row could upset Russia-Azerbaijan relations.

**TJ/KG:** Putin schedules visit

Russian President Vladimir Putin is due to fly to Dushanbe for a state visit that Russian and Tajik media have hinted may coincide with a formal application from Tajikistan to join the Kremlin-lead Eurasian Economic Union (EEU) (Jan. 27). Mr Putin will also travel to Bishkek on the same trip which Russian media said would take place "in the near future".

**KZ:** Second round of Syria talks in Astana scheduled

A second round of talks focused on finding a solution to the war in Syria have been scheduled for Feb. 6, Kazakhstan's foreign ministry said (Feb. 2). The talks, with Turkey, Russia and Iran as the main powerbrokers, are a follow up to talks held last month in Astana. For Kazakhstan, the talks are a good opportunity to market itself as an arena for international deal-making.

**AM:** Armenia wants close ties with Iran

Armenian defence minister Vigen Sargsyan travelled to Tehran for a meeting with his Iranian counterpart Hossein Dehqan in which both sides pledged to improve their military ties (Jan. 31). Neighbours, Armenia and Iran have become increasingly close over the past couple of years, boosting military, economic and trade relations.

**AM:** Trade with Russia increases

Exports from Armenia grew by 20% to \$1.8b in 2016, the state statistics service reported (Jan. 31). Russia remains the biggest trade partner with total bilateral trade of nearly \$1.4b, compared to China which has bilateral trade with Armenia of \$454m. Bilateral trade with Russia was up by 15%, indicating a general pick up in the economy.

**GE:** Soldiers sent to support EU mission in Africa

Georgia sent a platoon of 30 soldiers to serve under a France-lead European Union mission in the Central African Republic (Jan. 31). The Georgians' main mission is to defend the EU mission's base. This is the first deployment of Georgian soldiers to the Central African Republic for two years. Georgia uses its military as an extension of its foreign policy and has sent military support to missions linked to the EU and NATO, two Western institutions that it wants to join.

EMERGENCY

**GE:** Major fire destroys shopping centre in Tbilisi

A fire in Tbilisi destroyed the Children's World and Gold Market shopping centre (Jan. 30). Reports said that 31 fire-fighting units tackled the blaze, one of the biggest in Tbilisi. The shopping mall covered an area roughly the size of two football pitches. It is still unclear what caused the fire.

AVIATION

**UZ/TJ:** Flights scheduled

Somon Air, Tajikistan's national airline, has scheduled a first Tajikistan-Uzbekistan flight since 1992 for Feb. 10, media reported (Feb. 1). Regular flights are expected to start up between Dushanbe and Tashkent on Feb. 20. These flights are important as they signify a sea-change in relations between Tajikistan and Uzbekistan, who

have quarrelled for years, since the death in September of Uzbekistan's president Islam Karimov.

**KG:** Looting reported at crash site

Reports have appeared in Kyrgyz media that a cargo plane which crashed into a village next to Manas airport last month was carrying iPhones and other electronic equipment in a smuggling operation based at the airport (Feb. 1). Eyewitnesses also told the RFE/RL website that some of the first members of the emergency services looted the crash site. "One policeman took off his shirt and filled it with mobile phones," RFE/RL quoted a young boy as saying.

HUMAN RIGHTS

**UZ:** ILO says making progress on scrapping forced labour

The UN's International Labour Organisation (ILO) said that Uzbekistan was making progress in eradicating child labour from its cotton harvests (Feb. 2). Uzbekistan has come under intense criticism for using school children to pick the crop. Several Western fashion retailers have refused to stock products which have been made with Uzbek cotton.

CORRUPTION

**TJ:** Former Dushanbe mayor investigated for corruption

Anti-corruption officials in Tajikistan opened an investigation into the former mayor of Dushanbe Mahmadsaid Ubaidulloev, RFE/RL reported (Jan. 27). He was sacked earlier this month. The sacking and investigation, which focuses on a new housing scheme, of Mr Ubaidulloev may signal the start of a power struggle within the Tajik elite. Mr Ubaidulloev had been considered an arch loyalist. Anti-corruption campaigners have said that Tajikistan is one of the most corrupt countries in the world.

KZ SECURITY

## Hackers attack Kazakh websites

ALMATY – Hackers attacked 21 Kazakh government websites, the ministry of information said, raising concerns over the state's cyber security. (Jan. 30).

The sites were attacked on Jan. 28. The ministry blamed the servers that hosted the websites but IT expert said the vulnerability of government websites was a well-known problem.

In a press statement, the Kazakh information ministry said: "These [hacking] cases happened because of an absence of control from the owners of internet resources who did not update the systems in time, proper protection, identification of the incident and signing a contract with unreliable clients."

Arman Abdrasilov, a Kazakh cyber security expert, said that the hacking had been far wider than just the government websites. He said that, in total, 323 websites had been attacked.

He told The Conway Bulletin that government websites are regularly attacked but that the government covers the hacks.

"Twenty-one sites at once. It says that this is a systematic mistake and links back to the government's attitude in general. We've been raising the [vulnerability] questions for at least three years," Mr Abdrasilov said.

"Security of the whole system is equal to the security of its weakest part."

The next day (Jan.31), Nazarbayev talked about cyber security threats in his annual state-of-the-nation address. He ordered security services to boost their various defences.

The hacked websites included the north Kazakhstan regional government website and the natural resources department in the Almaty city government.

AZ SOCIETY

## Azerbaijani students told not to criticise the government

>>Students have been using Facebook to voice views

Students at Baku State University have been warned not to criticise Azerbaijani President Ilham Aliyev or the university on social media, a leaked audio recording showed (Jan. 27).

In the audio recording, released on Facebook, the deputy dean of the faculty of journalism of Baku State University Aytekin Zeynalova threatened students for criticising the university administration.

"After seeing on social media the criticism of a student my blood pressure increased," she told a group of students. "If students break the rules of the discipline, they will receive a warning and I will reprimand them."

A second audio recording was leaked a few days later in which Ms Zeynalova again threatened students.

The recordings, and the attitude of Ms Zeynalov, are important because they highlight what human rights have said is a systematic crack-down on free speech in Azerbaijan.

It also demonstrates just how important Facebook has become as a

tool for people to express themselves and criticise governments in countries which have been showing an increasingly authoritarian bent.

Students told The Conway Bulletin that it was fairly standard to receive warnings about social media use.

Umman Safarov, a third-year student at the Faculty of Journalism at Baku State University, said that he was warned not to share posts criticising President Aliyev and the university administration.

"The vice-Chancellor told me that while you are studying at Baku State University, you cannot share such posts otherwise you will be expelled from the university," he said.

Baku State University said in a statement that Ms Zeynalova had admitted that she had handed out the warning but media later quoted the rector of the University, Abel Meherremov, as saying that it was a duty of every student not to criticise the government.

KZ SOCIETY

## Kazakh authorities are intimidating protesters

ALMATY – The authorities in western Kazakhstan are trying to intimidate workers into giving up their hunger strikes, the Eurasianet website reported (Feb. 2).

The Eurasianet report quoted workers as saying that a breakdown in trust with the authorities was pushing them towards a potentially violent confrontation.

"We cannot allow another Zhanaozen," Eurasianet quoted a lawyer for a detained union leader as

saying. Zhanaozen is the town in western Kazakhstan where police and strikers clashed in 2011. At least 15 people died.

Several hundred oil workers have been refusing to eat in west Kazakhstan in protest over the closure of the Confederation of Independent Trade Unions, an umbrella organisation, by a court in Shymkent at the beginning of the year. The hunger strikers' de facto leaders, Amin Yeleusinov, and Nurbek Kushak-

## The Briefing

# Nazarbayev demotes former ally

>>Kazakh President Nursultan Nazarbayev has demoted Imangali Tasmagambetov from deputy PM to ambassador in Moscow. James Kilner, the Bulletin's editor, explains why this is important.

>> How significant is Imangali Tasmagambetov's shift from central government to Moscow as ambassador?

>> Very. He was considered one of just a handful of people who could take over from Nursultan Nazarbayev as president. This is a major demotion and has come as a surprise. Like a chess player, Nazarbayev is clearly manoeuvring his pieces so that he can execute a well-managed and orderly transfer of power. Last month he said that he wanted to give parliament more power. It was dressed up as a move to increase democracy, although most analysts think that this is a red herring and that the real motivator is transition.

>> So who will really benefit from Tasmagambetov's move to Moscow

>> That's not exactly clear, although Nazarbayev's daughter, Dariga, is being teed up nicely for a major role in government. She has taken on a bigger public role and since September 2016 has been a Senator and the chair of the Senate's Affairs, Defence, and Security Committee. It's our view that this is a way to prepare and groom Dariga for the top job. Essentially, by packing Tasmagambetov off to Moscow, Nazarbayev has dispatched one of her rivals.

>> I see. But are you sure that being the Kazakh ambassador in Moscow is a major demotion?

>> Yes. All the major policy-making goes on in Astana. Tasmagambetov is now marooned in Moscow away from the centre of power in Kazakhstan. Nazarbayev also has form for sending high-ranking men, who have their own powerbase that may threaten his plans, into exile. In 2014, he sent Aslan Musin to Zagreb to be the Kazakh ambassador there. Musin had previously been head of the Presidential Administration between 2008 and 2012 and had a strong powerbase in the west of the country, where he was from.

>> Got it. Why would Tasmagambetov appear to have threatened Nazarbayev.

>> We don't know the specifics but Tasmagambetov is popular with ordinary people. He is seen as being more "Kazakh" than many of the other elite insiders. He also has a high profile. This is partly because he was a popular mayor of Almaty and Astana. His son-in-law is Kenes Rakishev who has been used heavily by the Kazakh elite as the frontman for buying up various companies. His latest acquisition was a majority stake in Kazakhstan's biggest bank, Kazkommertsbank.

>> But now he is going to disappear from public view. Is that right?

>> Pretty much. People just won't see or hear of him in his new job. He'll also be away from the political action in Astana which is important.

## The Brainteaser no. 3

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

1) What links these capital cities? (Clue: From these cities, on a clear day, what can you see?)

Yerevan  
Bishkek  
Dushanbe

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



The answers to Brainteaser no. 2 were: 1) The capital cities were ordered in population size. Tashkent has the biggest population (2.3m); Dushanbe the smallest (780,000). 2) The well-known building was the new Georgian parliament building in Kutaisi. Very disappointingly, as I rate the Bulletin readers highly, there were no winners. (All answers for Brainteaser no. 3 to [editor@theconwaybulletin.com](mailto:editor@theconwaybulletin.com))

INSIDE >> Start of CASA-1000 pushed back to 2020 >> IBA drops football sponsorship >>

## Korea's Kookmin Bank says will sell stake in Kazakhstan's CenterCredit

>>Bad debt ratio at Kazakhstan's fifth largest lender had been growing

ALMATY -- After days of rumours, South Korea's Kookmin Bank confirmed that it would sell its 41.93% stake in Kazakhstan's CenterCredit Bank to a Kazakh consortium (Feb. 1).

The sale will both end an unhappy time in the Kazakh finance sector for Kookmin Bank and also highlight the worsening weaknesses in the Kazakh system.

CenterCredit is Kazakhstan's fourth largest bank by assets. The consortium buying Kookmin's share is led by Tsenabank, which is the third largest bank in Kazakhstan.

"On the basis of preliminary agreements, the Consortium has completed talks with Kookmin on the final conditions for the Consortium to purchase the stake by the now owned by Kookmin Bank," Tsenabank said in a statement.

It also said that CenterCredit's chairman, Bakhytbek Baiseitov, would buy the 10% stake in the bank now owned by the International Finance Group, part of the World Bank.

Mr Baiseitov is one of the wealthiest men in Kazakhstan. He set



>>CenterCredit HQ in Almaty

>>Wikimapia.org

up CenterCredit Bank in the late 1980s and made the original deal to sell a 30% stake in it to Kookmin Bank in 2008 for \$500m. Kookmin Bank have had to write down the value of their stake in CenterCredit Bank constantly and it has become to be viewed as one of their worst ever deals. Shortly after buying their first stake in the bank, the Global Financial Crisis hit the Kazakh finance sector, swamping it with bad debt, forcing the government to bail out a handful of banks.

And Kazakhstan's banking sector has been hit again by a collapse in the value of the tenge, low oil prices and a recession in Russia. The proportion of non-performing loans has risen.

Last year, the ratings agency Fitch said CenterCredit Bank's ratings were constrained by "high problem loans, low core capital ratios, and modest core profitability." It said the proportion of bad loans in its portfolio was around 16%. This was one of the highest, with Tsenabank having a bad debt ratio of around 5%.

AZ DRINK

## Aliyev wants Azerbaijan to boost wine sales

Azerbaijan is producing only 20m bottles of wine per year, roughly a fifth of its capacity, media quoted President Ilham Aliyev as saying (Feb. 2).

Mr Aliyev wants Azerbaijan to diversify away from oil and gas, which dominates the economy. The economy has taken a hit with the collapse in oil prices. He has previ-

ously highlighted the potential for growth in the hazelnut sector and now appears to have earmarked the wine-making industry for growth.

"Most of these plants were built in recent years. Major funds have been invested in them and modern equipment installed. How can it be possible for plants with a production capacity

of 100m bottles to produce only 20m bottles of wine?" media quoted him as saying.

Georgia, which has a far more developed wine production and sales system, exports 50m bottles of wine every year. Most of the growth has come in China and other parts of the Far East.

AVIATION

**AZ:** Qatar may increase flights to Baku

At a press conference with his Qatari counterpart, Azerbaijani foreign minister Elmar Mammadyarov said that the Qatar airline had agreed to increase the number of flights to Baku (Jan. 31). He said that the driving motivator of the planned flight increase was a jump in the number of tourists travelling to Azerbaijan. Mr Mammadyarov didn't give any figures to back this up or say how many Qatar flights would now operate to Baku. International airlines have been increasing their flights to the South Caucasus.

OIL+GAS

**KZ:** Nostrum hits 2016 targets

In its full year results, Nostrum Oil & Gas, which focuses on Kazakhstan said that it had just beaten its expected output with an average daily output of 40,351/barrels of oil equivalent (boe) compared to an anticipated 40,000 boe (Jan. 31). It said that the final quarter of the year had been the best with 44,708 boe.

**KZ:** CPC says to expand

The Caspian Pipeline Consortium plans to invest \$150m in 2017 in expanding the capacity of the pipeline that pumps oil from western Kazakhstan around the northern tip of the Caspian Sea to Russia's Black Sea port of Novorossiysk, its general director Nikolay Gorban told media (Jan. 31). The expansion plan will boost the pipeline's capacity to 67m tonnes per year, up from 52m tonnes. This is important because CPC is a key export route for Kazakhstan and especially for its important Tengiz field.

**KZ:** Tengiz will create 20,000 jobs, says ministry

The \$36.8b expansion of the Tengiz oil field announced last year will

create 20,000 jobs, Kazakhstan's labour ministry said in a statement (Jan. 30). Labour minister Birzhan Nurymbetov said that 18,000 of those jobs would be given to Kazakhs. This job creation is vital in Kazakhstan which has seen mass job cuts over the past couple of years because of the tight economic conditions.

**KZ:** Oil services workers strike

If any reminder was needed of the worsening labour relations in Kazakhstan, it came in the form of a reported strike at a services company working at the Tengiz oil field. Quoting local media, Eurasianet said that 120 employees at TOO Kentak Kazakhstan Technical Services started a strike in Jan. 27, demanding a 50% pay rise (Jan. 30). Labour relations have been increasingly strained since 2011.

**KZ:** Minister says Azeri gas development is vital

The development of the Shah Deniz 2 gas project in Azerbaijan is vital for the development of Georgia's energy sector, Mariam Valishvili (Feb. 1). He said that the construction of the South Caucasus pipeline that will run through Georgia was a priority project for the current government. The \$20b Shah Deniz is slated to pump gas from the Caspian Sea to Europe across Georgia and Turkey by 2020. Mr Valishvili's comments highlight just how integrated the region's economies are.

RETAIL

**KZ:** H&M still on track to open Almaty store

H&M, the Swedish fashion retailer, still intends to open its first store in Kazakhstan despite a fall in profit last year, its CEO Karl-Johan Persson said during its full-year results presentation (Jan. 31). Mr Persson said that the rising value of the US dollar was one of the main drivers of the drop in profit. Last year H&M said that it would open

its first store in Almaty. This is important because analysts have been worried that an economic downturn that has hit the region would hit companies' plans.

MANUFACTURING

**KZ:** Carmaker starts exports to China

Russian carmaker AvtoVAZ has started exporting its Lada 4x4 to China from its factory in Kazakhstan, the life.ru website reported quoting an official at the Asia Auto factory in the east Kazakh city of Ust-Kamenogorsk (Feb. 1). Asia Auto is one of the biggest car manufacturers in Kazakhstan. The Kazakh car making sector has been hard hit by the economic downturn.

FINANCE

**KZ:** Halyk says KKB needs to shed bad assets

Halyk Bank CEO Umut Shayakhmetova told the Forbes Kazakhstan website that for talks on a merger with Kazkommertsbank to continue, Kazkommertsbank needed to deal with a pile of bad debt it had acquired after taking over BTA Bank in 2014/15 (Jan. 30). A deal between Halyk Bank, which is owned by Kazakh President Nursultan Nazarbayev's son-in-law and daughter, would create a banking giant in Kazakhstan that will dominate the banking sector.

TELECOMS

**KZ/UZ/TJ/AZ/GE:** Telia CEO promises sale

The CEO of Swedish mobile operator Telia, Johan Dennelind, said that he was confident that he would be able to sell off the company's remaining assets in its Eurasia region this year (Jan. 27). Interest in Telia's regional asset which include Azercell, Geocell, Ucell, Kcell and Tcell have been light. A corruption scandal in Uzbekistan, linked to a 2008 bribe, triggered the sale.



# Start of CASA-1000 pushed back to 2020

>>Pakistani official says that delay over awarding converter contract has delayed start date

BISHKEK – A delay in handing out a contract to build two converter stations has pushed back the start date of the CASA-1000 project which aims to send electricity generated by hydropower stations in Tajikistan and Kyrgyzstan to Afghanistan and Pakistan (Feb. 1).

Pakistan's Express-Tribune newspaper quoted an unnamed Pakistani official as saying that French engineering company Alstom had asked for more time to put in a bid to build two converter stations.

“Four countries that are part of the project – Tajikistan, Kyrgyzstan, Afghanistan and Pakistan – have agreed to give relaxation in the timeframe keeping in view the request of Alstom, which is a credible name and a major supplier of converter stations across the world,” the newspaper quoted the official as saying.

“Now, this project is likely to be ready in 2020.”

CASA-1000 had been due to start up either at the end of this year or in



>>CASA-1000 is the electricity that will, it is hoped, link South Asia and Central Asia

Pic: Pixabay

2018. It is backed by the World Bank and is considered a vital economic and strategic link between Central Asia and South Asia, binding the two regions together, providing an export product for Tajikistan and Kyrgyzstan and electricity for Pakistan and Afghanistan.

The two converter stations are vital to the CASA-1000 project. One will be sited in Tajikistan and the other in Pakistan.

The value of the tender has not been released but the names of the companies bidding for it have been. They are the US' GE, Japan's Mitsubishi, Germany's Siemens and Alstom.

For the West the CASA-1000 project also has major significance as the physical implementation of the north-south Silk Road trade route that Hillary Clinton touted in 2011 when she was US Secretary of State.



# IBA drops football sponsorship

The International Bank of Azerbaijan (IBA), majority owned by the Azerbaijani government, has dropped sponsorship of a Baku football team as part of a cost-cutting drive (Jan. 28).

Dropping sponsorship of Inter Baku, a top tier team, is another sign that the tough economic conditions have hit IBA hard. A few years ago such a move would have been unimaginable.

“In accordance with new strategic goals limitation of the IBA's sports support will help the bank optimise its expenses and direct resources to the sphere of finance and banking, which are priority,” IBA chairman Khalid Ahadov said in a statement released by the bank.

“That will increase the efficiency of the recovery processes, conducted with government's support.”

At the end of January, the Azerbaijani government increased its stake in IBA to 77% from 56% in order to ensure the stability of the bank, Azerbaijan's biggest. Analysts have been warning for the past 12 months that an economic downturn was pressuring the banking sector in Azerbaijan. The Central Bank has also withdrawn trading licences from some of the smaller banks.

# MARKET NEWS

>> Kazakh tenge surges to 13 month high >> Analysts upbeat on Bank of Georgia; place on 'buy' rating >>

## CURRENCIES

Armenian dram	485/\$1	—
Azerbaijani manat	1.95/\$1	↓ 1%
Georgian lari	2.79/\$1	—
Kazakh tenge	325.5/\$1	↑ 1%
Kyrgyz som	69.2/\$1	—
Tajik somoni	7.9/\$1	—
Turkmen manat	3.5/\$1	—
Uzbek sum	3,280/\$1	↓ 0.5%

## STOCKS

Centerra Gold	C\$6.45	↓ 2.5%
Central Asia Metals	239p	↑ 1.7%
KAZ Minerals	405p	↑ 14.7%
Tethys Petroleum	1.63p	↑ 18%
Nostrum Oil & Gas	460p	↓ 1.5%
Roxi Petroleum	10.13p	↑ 6%
Bank of Georgia	2975p	↑ 3.5%
Georgia Healthcare	349p	—
TBC Bank	1457p	↓ 2.8%

## COMMODITIES

Oil (Brent)	\$56.56/b	↑ 0.5%
Gold (spot)	1215p	↑ 0.8%
Copper	\$268.5/lb	↑ 0.5%
Cotton	\$76.9/lb	↑ 3.6%

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 Feb. 2 2017, the last previous measure by the The Conway Bulletin of these prices.

## Kazakh tenge hits highest level since December 2015

The Kazakh tenge moved to \$325.5/\$1, its highest value against the US dollar since December 2015. The main drivers of this strengthened currency are oil prices and a more consistent and credible economic policy coming out of the Central Bank.

In January last year, the tenge bottomed-out at 381/\$1. This was when oil prices were hovering at under \$30/barrel, after Iran said it would start exporting oil as soon as US-lead sanctions were lifted, and confidence in Kazakhstan's economic policies were at an all-time low after a bungled defence and then a sudden devaluation of the tenge.

Now oil prices are back up around \$55 and Daniyar Akishev is heading the Central Bank. He took over from the hapless, indecisive



>>Kazakh tenge vs US dollar >>CB-Data

Kairat Kelimbetov in November 2015. It hasn't been all easy for Akishev, but things are definitely looking up now. This year alone, the Kazakh tenge has outperformed its regional peers and risen by 3%.

## Analysts place Bank of Georgia shares on a 'buy' rating

Shares in the Bank of Georgia rose by more than 50% last year to a peak of 380/\$1 in mid-December. Since then they have come off the boil slightly hitting a three-month low of 312/\$1 on Jan. 12.

Now, though, things appear to be picking up again. The Bank of Georgia's share price measured 350/\$1 on Feb. 2 and analysts predicted more growth. London-based brokerage Peel Hunt said Bank of Georgia's subsidiary Georgia Healthcare looked good this year and was likely to see profits rise.

"We update our model to incorporate the strong growth expected in Georgia Healthcare's

profitability," the broker said, explaining that it had given Bank of Georgia a 'buy' rating.

It also said that Georgia's macroeconomic outlook looked good for Bank of Georgia.

"In addition, we continue to expect Bank of Georgia to benefit from underlying Georgian economic growth, supporting the core Banking division," the brokerage said.

Last month, Georgia's Central Bank chief Giorgi Kadagidze said that Georgia's GDP would grow by more than 4% because of tax cuts, an infrastructure investment plan and a free-trade deal with China.