



HOUSE OF COMMONS  
CANADA

**ADVANCING CANADIAN FOREIGN POLICY OBJECTIVES  
IN THE SOUTH CAUCASUS AND CENTRAL ASIA**

**Report of the Standing Committee on  
Foreign Affairs and International Trade**

**Bill Graham, M.P.  
Chair**

**June 2001**

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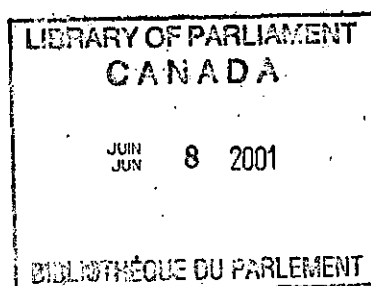
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# **THE STANDING COMMITTEE ON FOREIGN AFFAIRS AND INTERNATIONAL TRADE**

has the honour to present its

## **SIXTH REPORT**

In accordance with its mandate under Standing Order 108(1)(a), your Committee has undertaken a study on Advancing Canadian Foreign Policy Objectives in the South Caucasus and Central Asia.

## CHAIR'S FOREWORD

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This report represents somewhat of a departure in the work of the Standing Committee on Foreign Affairs and International Trade. While its mandate covers a broad range of issues, the Committee has rarely been in a position to make recommendations for government policy in regions where Canadian interests and engagement are currently limited, but certain to grow. This is the case with the eight newly-independent states of the South Caucasus and Central Asia, which are the subject of this report.

The inspiration for this study came from a suggestion made by the Honourable Lloyd Axworthy, then Minister of Foreign Affairs. He recognized that developments in these far away regions had important security consequences for Canada and also presented a sort of "new frontier" where the potential of Canadian interests and commercial opportunities should be explored. The Committee accepted his challenge to make recommendations in respect of this area which is little understood by Canadians and I hope that this report will make some contribution towards a better understanding of how Canada may play a significant role there.

As the report makes clear, following hearings in Ottawa and very instructive trips to key states in these complex regions, the Committee has concluded that these states are important to Canada, and require a significant increase in our attention. A long-term approach will be needed to support conflict resolution, transition and development in these regions, and to advance such Canadian foreign policy objectives as security, prosperity and good governance there. There is also a need in the short-term for these goals to be supported by increased Canadian presence on the ground. We hope that this report will be of some help in identifying issues and priorities as we now set our policy goals for future relations with this emerging area.

The November 2000 federal election delayed the completion of this report, but the Committee believes its conclusions remain valid and will provide the basis for an enhanced Canadian policy toward these regions. While an increase in bilateral relations between Canada and these states will be an important element of such a policy, the Committee's study has also highlighted the extent to which multilateral organizations and even inter-parliamentary forums can be used to advance cooperation.

A report of this complexity and scope could not have been prepared without the collaboration of a great many dedicated and talented people who have been willing to work long hours to bring it to completion. Our research team, composed of Gerald Schmitz and James Lee, contributed their personal expertise and writing skills to the task. Each is to be thanked and congratulated as being responsible for bringing together and digesting the results of so much testimony and providing the Committee with clear guidelines for our recommendations.

Our Committee clerks, Janice Hilchie and Marie Daniëlle Vachon, along with Committee staff members, Caroline Martin, Diane Lefebvre and Adèle Levergneux, are to be thanked for their efficiency in ensuring that our work and travel were conducted in the most professional and productive manner, this always calmly and in good cheer in what were often difficult circumstances. Also to be warmly thanked are the many translators, editors, interpreters, console operators and others, as well as the staff of Publications Service, without whom our work could not have been accomplished.

A trip of this nature puts considerable strain on the members of the diplomatic corps in the places visited and we would like to thank all the many Canadian diplomats who put considerable energy into ensuring that our trip was as profitable for us as it was. In this respect I would like to make particular reference to Ambassador Jean-Marc Duval who travelled with us through Abzerbijan and Georgia, Ambassador Irwin who assisted the Committee in Armenia, and Ambassador Gerald Skinner who so kindly cared for our delegation in Almaty.

I would also like to thank the members of the Committee from all parties who worked assiduously on this report while attending to much other important work of the Committee as well as their parliamentary duties. Not all the members were able to travel to the region but I am certain that I speak for my colleagues when I say that, though travelling in the region was not always comfortable or easy it was an extraordinary privilege to see that part of the world and meet so many individuals there. We are grateful to our colleagues who remained in Canada but nonetheless participated in drafting this report. I would like to make special reference to the work of Lee Morrison, M.P., who did not present himself for election in 2000 but whose insights were particularly valuable to those who went to the Central Asian Republics.

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## **Advancing Canadian Foreign Policy Objectives in the South Caucasus and Central Asia**

*...Central Asia and the Caucasus might well represent the last frontier of the wild east. In the modern version of the great game we are seeing a struggle for control of the vast richness — oil and gas, gold, uranium, and other valuable minerals — but we are also seeing two regions struggle to come to terms with history, culture, religion, newly found independence, democracy, pluralism, and market-based economies. No easy task.*

*Canada has always maintained an interest in Central Asia and the Caucasus, but our engagement has been constrained by the distance, remoteness and the realities of human resource limitations. Over time, this is changing. We welcome the initiative of the committee to undertake this study and we are looking forward to your findings.*

James Wright  
Director General  
Central, East and South Europe  
Department of Foreign Affairs and International Trade<sup>1</sup>

In recent years increasing attention has been paid to the newly independent and geopolitically and economically important states of the South Caucasus and Central Asia, areas of the world with which Canada has traditionally had little engagement.

In April and May 2000 the Committee held a series of some six public hearings with the small number of Canadian experts, non-governmental organizations (NGOs) and business persons interested in and knowledgeable about these regions, although members regret that they were unable to speak with representatives of all of the various ethnic groups who live there. It also sent small delegations of Members of Parliament to visit key states there, as well as the important neighbouring state of Turkey. They met with political and parliamentary leaders, local NGOs and significant donors and multilateral agencies active in the regions.

As representatives of the Department of Foreign Affairs and International Trade later told the Committee:

The visits by members of your Committee last year represented the first serious high-level political attention to the region from Canada. Your interest was noticed and warmly welcomed, and has opened doors for other Canadians. The reception from the host governments was unprecedented — and is a clear indication of the degree to which these

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<sup>1</sup> Evidence, 4 April, 2000, p. 8. (All subsequent references in the text to Committee proceedings will use this abbreviated notation).

countries wish to engage with Canada. It also is clear that your study, and last year's visits, have raised expectations which we must be careful to manage within our existing resources.<sup>2</sup>

The November 2000 federal election delayed the completion of the Committee's work. With the resumption of a new Parliament in 2001, however, the Committee decided to complete its work with a final public meeting with government officials in April 2001. While the bulk of this report was therefore completed months ago, the Committee believes its conclusions are still valid and will be useful in the development of Canadian foreign policy.

The following report, which contains recommendations for a strengthened Canadian policy on this important part of the world, is divided into three parts. The first provides an overview of the issues raised during the Committee's study, as well as recommendations for a Canadian approach to the common problems of these two distinct regions. The second and third parts review challenges specific to the South Caucasus and Central Asia, including some unavoidable duplication, and make additional recommendations.

## **Introduction and Overview**

On the collapse of the Soviet Union nearly a decade ago, 15 newly-independent states faced an immediate need to ensure their security and stability, pursue democracy and good governance after decades of Communism, and revitalize command economies that had been designed as elements of a larger, inefficient whole — all in a context of serious environmental and other problems.

International attention over the past decade has focused mainly on the Russian Federation, but has more recently also turned to the eight newly-independent states of the former Soviet South — Azerbaijan, Georgia and Armenia in the South Caucasus, and Kazakhstan, the Kyrgyz Republic, Turkmenistan, Tajikistan and Uzbekistan in Central Asia — largely because of the significant hydrocarbon and other resources in the regions. Some, indeed, see the Caspian Basin region, which lies between the South Caucasus and Central Asia and includes Russia and Iran, as the scene of a new "Great Game" for influence and control being played between these and other powers, including the United States and Turkey.

After holding public hearings in Ottawa and sending small delegations of Members to key countries in the regions in April and May 2000, with a final hearing in April 2001, the Committee has concluded that the area *is* important to Canada in a number of ways and warrants significantly increased attention in Canadian foreign policy. This must be

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<sup>2</sup> *Evidence*, 26 April, 2001, p. 8.

based on an up-to-date understanding of these complex regions. The Committee has tried not to perpetuate alarmist views — such as those in a recent article in the journal *Foreign Affairs* that warned that, “if left to fester, the Caspian could make the Balkans look like a pregame warmup.”<sup>3</sup> These regions should not be seen solely as an energy province of global significance, the scene of a new geopolitical “Great Game” or even a modern “Silk Road” connecting Europe and Asia — the logic underpinning the European Union’s Transport Corridor Europe-Caucasus-Asia (TRACECA) program. Nevertheless, the day-to-day problems faced by the 70 million people who live there are real, as is the potential for both huge profits and geopolitical and other conflict, particularly between the United States and Russia. In fact, as Canadian expert Professor Neil MacFarlane of the University of Oxford argued before the Committee:

...there is reason to consider these issues to be urgent. Although the region appears to be reasonably stable now by recent standards, it's unlikely to last. A number of the region's states face extremely problematic political successions in the next several years. There's increasing evidence of a growing threat from Islamic radicalism in the northern Caucasus and in the Farghona (sic) Valley...there is a clear and widening gap between the positions of an elite — which has benefited from reform and privatization by stealing the resources of their countries, to put it crudely — and a mass of the population that has essentially been left out. This too creates fertile ground for political radicalization.

Finally the recent victory of Vladimir Putin in elections in Russia and the reactivation of Russian diplomacy in both the Caucasus and Central Asia, which is evident as we speak, raise a number of potentially disturbing questions about the future direction of the only great power, that is to say Russia, in a position to dominate the Caspian Basin and what this might mean for the broader agenda of the West in the Caucasus and Central Asia.<sup>4</sup>

As a key regional power, Russia has an important role to play in the South Caucasus and Central Asia. It is important to note, however, that the Committee’s study of the Caucasus focuses on the three independent states — Azerbaijan, Georgia and Armenia — south of the Great Caucasus mountains, and not on Chechnya or other Russian territories to the north.

The Committee is under no illusions that Canada can have a dominant impact in the South Caucasus and Central Asia. After hearing from the increasing number of dedicated Canadians active in the region — for example in the Centre for Trade Policy and Law, the Canadian Society for International Health and the Canadian Human Rights Foundation — the Committee does believe that it can make a positive contribution. This would demand a significant increase in Canadian attention to these regions, however. As

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<sup>3</sup> Amy Myers Jaffe and Robert A. Manning, “The Shocks of a World of Cheap Oil,” *Foreign Affairs*, January/February 2000, p. 23.

<sup>4</sup> *Evidence*, Meeting No. 42, 2 May, 2000, p. 13.

James Wright of the Department of Foreign Affairs and International Trade noted before the Committee, given distance and a lack of resources "this is not a part of the world in which Canada has been extensively engaged."<sup>5</sup>

The following chapters review the current situations in the South Caucasus and Central Asia. Canada's foreign policy objectives in these regions since 1991 have been those pursued on a global basis: economic development and prosperity, stability and security, and the promotion of values such as democracy, good governance and human rights. While these broad objectives remain valid, as we shall see there has been mixed success in implementing them over the past decade, and the Committee therefore makes recommendations to enhance their effectiveness. Given the success of recent deficit fighting efforts, the Committee believes more resources can now be provided to advance important foreign policy objectives. It agrees with Professor MacFarlane, who noted in a written submission that, "...Canada is in a rather privileged situation, which is in part a result of earlier neglect. Our country has few clearly articulated lines of policy in the region. And the countries of the region have little experience of us. Since we have an insubstantial profile, we have greater flexibility."<sup>6</sup>

The Committee is convinced that this report can have value beyond the development of Canadian policy in these important strategic regions. By reviewing broader issues, such as the need to ensure the provision and efficient use of adequate resources to support foreign policy objectives, the difficulties of supporting countries in transition, the need to strengthen key multilateral organizations such as the Organisation for Security and Co-operation in Europe (OSCE) and developing and pursuing peacebuilding and other creative strategies, this report will make a contribution to the development of Canadian foreign policy as a whole.

## I. UNDERSTANDING THE REGIONS

Mr. Suleymen Demirel, President of Turkey at the time, told members of the Committee in Ankara that the new geopolitical geography following the collapse of the Soviet Union is not yet consolidated. Because of their geographical isolation and the complex historical and current situation, the eight states of the South Caucasus and Central Asia are still very poorly understood in the West. As one critic noted pointedly, "Until the demise of the Soviet Union, not even Antarctica was more remote from the American mind than were the lands around the Caspian Sea, and this for good reasons."<sup>7</sup> In spite of the significant differences between these two distinct regions, their states have

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<sup>5</sup> *Evidence*, 4 April 2000, p. 2.

<sup>6</sup> *Submission*, "Testimony of Professor S. Neil MacFarlane to the Standing Committee on Foreign Affairs and International Trade, House of Commons, Ottawa, Canada."

<sup>7</sup> Anatol Lieven, "The (Not So) Great Game," *The National Interest*, Winter 1999/2000, p. 69.

many common problems, such as the political and economic challenges of transition to market economies, democratic governance and the rule of law after decades of Communism; the need to ensure stability, security and friendly relations with neighbours in regions containing multiple flashpoints, and a Soviet legacy of arbitrary borders and often exclusivist nationalism.

Generally speaking, the states of these regions have been most successful in implementing the Western economic agenda — macroeconomic stabilization, privatization, marketization and integration of the economies of the region into the broader global economy through trade and foreign direct investment. They have been less successful, however, in implementing Western norms of democratic governance, civil rights and the rule of law. Another important issue is corruption, which is not only an issue of governance, but is also linked in large part to poverty and the lack of a social safety net. Transition is a dynamic process, with countries continually shifting forward and even backward. At the risk of oversimplification, we can think of the eight states of these regions in three categories, in terms of their success in the political and economic transition to date: Georgia, the Kyrgyz Republic and Armenia have seen the most progress; Kazakhstan and Azerbaijan have seen some progress; and Uzbekistan, Tajikistan and Turkmenistan have seen the least progress.

All of the states of these regions face significant challenges in completing the transition to market economies, democratic development and good governance; however, the three South Caucasus states of Azerbaijan, Georgia and Armenia also remain preoccupied with more traditional security challenges stemming from conflicts in the immediate post-independence period. While cease-fires have been in place for several years now, no lasting political solutions have been found. Central Asia (apart from Tajikistan) has not seen comparable conflict, but has in recent years seen an increase in small scale fighting blamed on a combination of Jihadist "terrorism" and drug trafficking.

### ***Energy and Resource Management Issues***

As noted, much of the renewed attention to these regions is due to their reserves of oil, gas and other resources, which will undoubtedly provide the single most important economic means whereby these states can increase the prosperity of their citizens. These resources must be developed in a sustainable, cooperative and equitable manner, however, if they are to benefit the regions as a whole and contribute to peace and stability rather than detract from them. As one expert has noted, "it could easily go the other way, if differential benefits from this development destabilize sub-regional balances of power, or if particular countries (e.g. Armenia) are excluded from the process and have incentives to act as spoilers."<sup>8</sup> Realistically, Canadian resource firms will not play a major role in the development of the oil resources of the Caspian region, yet, as we will see

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<sup>8</sup> Neil MacFarlane, "Regional Peacekeeping in the CIS," Conference paper draft, 1999.

below, it is important that they contribute to the extent possible to ensuring that the resources are sustainably managed and their benefits widely shared within the regions.

Estimates in the early 1990s that placed the energy resources of the Caspian region as equivalent to those of Saudi Arabia are now accepted to have been exaggerations; however, the oil resources of the region are significant — widely assumed to be comparable to those of the UK's North Sea resource at about 150 billion barrels of oil compared to about 676 billion barrels in the Middle East — and will play a key role in both the economic development of Azerbaijan, Kazakhstan and Turkmenistan themselves and, it is hoped, the regions as well. The United States meets some 50% of its energy needs with imports, and U.S. policy towards the region has stressed the role of Caspian oil resources in ensuring the security and diversity of future energy supply. As American expert Dr. Rob Sobhani argued before the Committee, this logic can be applied equally to Canada as well.<sup>9</sup>

Oil and gas reserves are valuable only if they can be delivered to paying customers. Much diplomatic and other energy over the past several years has gone into "pipeline politics" designed to ensure that new pipelines — particularly the Baku-Tbilisi-Ceyhan Main Export Pipeline — will meet both practical and geopolitical needs. While geopolitical considerations are real, the Canadian government believes that the marketplace will ultimately decide the routing of what will probably be multiple pipelines in the regions. Arguments about energy security have some merit, yet the Committee believes that the specific Canadian interest in the energy resources of the Caspian is the real but second order potential for Canadian firms to contribute to what, over the long term, will be a large amount of services and infrastructure construction. More generally, Canada must do its best to ensure that the benefits of these resources are broadly shared both within and among the countries of the regions.

### ***The Challenge of Transition***

The international community has now had a decade of experience supporting transition in Central and Eastern Europe, both through bilateral and existing multilateral mechanisms, such as the European Union, the World Bank, the Council of Europe and the Organization for Security and Cooperation in Europe (OSCE), as well as institutions such as the European Bank for Reconstruction and Development (EBRD). Created in 1991 specifically to support transition towards democracy and market-oriented economies, the EBRD now operates in some 26 countries and has become the largest source of foreign investment in the former Soviet Union; the Committee has made use of

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<sup>9</sup> *Evidence*, 11 April, 2000, p. 11. By contrast, in his testimony before the Committee, Dr. Robert Cutler argued that the comparison to the North Sea was "a fashionably sceptical view," — and that "The Caspian will be a major energy field — not like Saudi Arabia, but it doesn't have to be like Saudi Arabia. It will be between three and five times the North Sea. That is enough to sustain the interests that countries and companies have shown in the last ten years." (*Evidence*, 2 May, 2000, p. 13.)

the annual economic overviews prepared by the EBRD, and members who visited the regions benefited from meetings with EBRD representatives in both the South Caucasus and Central Asia.

Political and economic transition has everywhere proved more difficult and protracted than expected, and the countries of the former Soviet Union have been significantly less successful than states in Central and Eastern Europe. A key conclusion of this decade of experience, summarized in EBRD's *Transition Report 1999: Ten Years of Transition*, is that not only strong economic reforms, but also effective public institutions, good governance and strong social infrastructures are very important.<sup>10</sup> Canada can now benefit from this experience as it updates its policies — particularly what government officials described as CIDA's "nascent, modest but growing"<sup>11</sup> programs — both in these regions and elsewhere.

Patrice Muller, Canada's Director on the EBRD pointed out in a recent article that Canada's trade and investment volumes with the former Soviet Union as a whole remain relatively minor.<sup>12</sup> Yet Canada has gained considerable experience in supporting transition over the past decade, including through the creation of such programs as Renaissance Eastern Europe. In a significant move, responsibility for supporting transition was in mid-1990s transferred from the Department of Foreign Affairs and International Trade to CIDA. This examination of Canada's policies on the South Caucasus and Central Asia has also allowed the Committee to consider in depth for the first time the implications of this transfer of authority. As Stephen Wallace of CIDA reminded the Committee in an April 2000 presentation on its policies in these regions, "The first thing to say about our program is that poverty is not our main focus as it is elsewhere in the world. In Central and Eastern Europe and the former Soviet Union, transition is our key mandate, specifically transition to the market economy and transition to democratic pluralism. As you will see throughout your studies and hopefully your visits to the region, many challenges remain on both these fronts."<sup>13</sup>

He continued:

In the Caucasus and Central Asia, our role is to provide direct support during the democratic transition to a market economy. Aside from providing humanitarian aid to the most disadvantaged and vulnerable people in the region, for example, refugee populations, we are mainly involved in promoting change and new opportunities

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<sup>10</sup> *Transition Report 1999: Ten Years of Transition*, European Bank for Reconstruction and Development, London, 1999.

<sup>11</sup> *Evidence*, 4 April, 2000, p. 7

<sup>12</sup> Patrice Muller, "Ten Years of Transition: Is the Glass Half Empty or Half Full," September 1999, forthcoming in *Canadian Business Economics*.

<sup>13</sup> *Evidence*, 4 April, 2000, p. 9.



under... difficult circumstances...We have been working in the region for five years on all levels, that is in terms of policies, laws, institutions and regulations.

We have developed what we think are very valuable partnerships which have resulted in direct changes in the region. However, this is a long, drawn-out process. As I said, we have made some progress in recent years, but the going is fairly slow. In my view, we need to continue focussing our attention on reforms if we truly want to see some concrete results in the medium and long term.<sup>14</sup>

In 1998-99, Canada's assistance to these states amounted to less than one tenth of one per cent of total international assistance of over US\$5 billion. By 2001, CIDA was spending some \$4 million annually in these eight countries: about \$1 million in the South Caucasus to support transition and reform in the health, trade and investment, (small enterprise development and good governance sectors); and \$3 million in Central Asia mainly on projects in the natural resources sector, including oil and gas, water resources and agriculture. CIDA has lately begun to be somewhat more proactive in these regions, and has strengthened its field presence through the posting of an officer to Almaty, Kazakhstan, and the engagement of two locally engaged professionals, in Almaty and Ankara, Turkey.<sup>15</sup>

Officials of the Department of Foreign Affairs and International Trade told the Committee that as Central European countries are successful in their transition, more of the funds currently devoted to supporting transition will be available for the South Caucasus and Central Asia and elsewhere in the former Soviet Union. In addition to quantitative increases in support, the Committee hopes CIDA and other departments will continue to review and enhance their programs in light of this study and its recommendations.

### ***Transition in the South Caucasus and Central Asia***

As Professor Neil MacFarlane pointed out in a 1999 study entitled *Western Engagement in the Caucasus and Central Asia*, through a combination of multilateral and bilateral programs Canada and other Western states have supported a broad reform agenda in the South Caucasus and Central Asia since they achieved independence in 1991. The results of a decade of engagement, however, have been mixed at best. Greater progress has been made in implementing the Western economic agenda than in transplanting norms of governance and rights, and there has been "little effect" with

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<sup>14</sup> Ibid., p. 22.

<sup>15</sup> CIDA Presentation to the SCFAIT, *Caucasus and Central Asia*, 23 May, 2001.

respect to conflict management and resolution.<sup>16</sup> As he put it to the Committee in May 2000:

To make a long story very short, what we've wanted in the region resembles my kids' Christmas list, if you will. Both bilaterally and multilaterally, we have sought peace and stability, democracy, human rights, economic liberalization, the rule of law, the enhancement of the political sovereignty of these new states, and their integration into global markets. This is an ambitious and still largely unfulfilled agenda...

I think it's fair to say that as a community of states with liberal democratic values, we have not clearly established our priorities amidst this set of objectives. However, the locals, I think, have concluded that we care more about stability and economic opening than about rights and democracy. They've defined their own approaches to reform accordingly and essentially, in my view, negatively...<sup>17</sup>

There are a number of reasons for the limited success in implementing the reform agenda in the South Caucasus and Central Asia, not the least of which is the potential contradiction between the desire to ensure political stability by supporting ruling elites and the need to encourage political development. Yet, given the history of Western engagement and the current situation in the South Caucasus and Central Asia, a number of avenues seem particularly promising.

### ***Economic Development and the Rule of Law***

Canadian trade with and direct investment in the countries of the South Caucasus and Central Asia is very modest, with the exception of that in the Kyrgyz Republic. The states in the regions have both significant natural resources and an educated workforce, and have generally been successful in constructing the framework of economic transition. A predictable business climate which would encourage Canadians and others to invest in these regions has not yet been established, however. Mr. Paul Carroll of Toronto-based Worldwide Minerals, for example, told the Committee about his company's unhappy experiences in Kazakhstan, while Stephen Wallace of CIDA made the point more generally. As he noted: "I think what you will find is a fairly familiar set of laws, of regulations and policies and ways of operating. What you won't find is implementation in a way that is transparent, consistent, and timely. I think that's the major challenge facing that area of the world."<sup>18</sup> Members of Committee who travelled to the South Caucasus and Central Asia in May 2000 agree with this assessment — particularly those who discussed the business climate there with an experienced Turkish businessman in

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<sup>16</sup> Neil MacFarlane, *Western Engagement in the Caucasus and Central Asia*, Royal Institute of International Affairs, 1999, Summary.

<sup>17</sup> *Evidence*, 2 May, 2000, p. 11-12.

<sup>18</sup> *Evidence*, 4 April, 2000, p. 21.

Ankara. When asked why his overview of the requirements for successful investment in the region did not address corruption, he pointed out that it had — under the need to maintain “good contacts” with local authorities.

As James Wright of the Department of Foreign Affairs and International Trade told the Committee, “Crime and corruption are the consequences of [a command] economic system that did not work.”<sup>19</sup> While the states of the South Caucasus and Central Asia are generally recognized as being among the most corrupt in the former Soviet Union, such problems are hardly unique to these regions, and Canada’s limited programs there attempt to address them. As Stephen Wallace of CIDA noted:

A key lesson from our economic cooperation experience is that we can often make the most difference when our actions strengthen the general business environment as opposed to the directed business interests of individual companies.

CIDA, therefore, has a particular role to play to ensure that policies, laws, and regulations make sense and are applied fairly and transparently, that basic economic institutions work, and that workers are equipped to meet the demands of the global economy. These...are the building blocks of sustainable trade and investment and they are the basis for addressing key aspects of governance and corruption.<sup>20</sup>

Members agree with this focus, but feel more must be done to achieve the economic development so evidently needed in these states, and to encourage Canadian firms — particularly small and medium-sized ones — to invest there.

While Canada’s interests in these regions is evolving to cover the range of foreign policy concerns, its initial interests were economic — particularly those of mining and other resource firms. In view of the need to improve the living standards of their citizens, all those whom Committee members met in the regions encouraged further Canadian investment. As became clear in their hearings in Ottawa, however, care must be taken that Canadian companies do not impose environmental or other costs on their host states, and that they should contribute to the societies themselves. Members welcomed the example of such Canadian firms as Hurricane Hydrocarbons, which operates a community centre and several other activities in Kazakhstan; however, they noted the concerns of a number of NGO groups over such major Canadian investments as Cameco Corporation’s high profile joint venture in the Kumtor mine in the Kyrgyz Republic (discussed below). While he was speaking specifically about the links between commercial activity and human rights concerns in the South Caucasus and Central Asia, the comments of Alex Neve of Amnesty International apply more broadly as well. In his words:

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<sup>19</sup> Ibid., p. 5.

<sup>20</sup> Ibid., p. 9.

I think the crucial piece from our perspective is that it proceeds, in a way that is true to human rights principles. Canadian businesses that operate in the region, whether or not they're legislated by national laws to do so, should refrain from doing anything that will contribute to human rights abuses in a region. And secondly, they should do everything at their disposal to be good human rights actors in the region, to be agents for change on the human rights front to the degree possible. There's more and more awareness in the corporate sector of how important that is. Some companies feel a little bit more up to the challenge than others. If it's an issue that's being considered, certainly it should be encouraged to be the mentality that guides investment in the region.<sup>21</sup>

As Janet Hatcher Roberts of the Canadian Society for International Health told the Committee in Ottawa:

If we simply promote trade and industrial development without also promoting effective social policies and concern for environmental sustainability, we run the risk of harming the people rather than helping them. It's important that we ensure human development is deliberately promoted through capacity building, policy development, public participation, and concern for equity.<sup>22</sup>

### ***Supporting Democratic Institution-Building and Strengthening Civil Society***

Throughout the hearings and in their travel, Committee members were made aware that the many and complicated problems of these regions will not be changed overnight; prudent and useful Canadian policies must take a long term perspective, and focus on education, the media and other civil society support that is critical to the development of stable and prosperous societies. As Professor MacFarlane argued:

I think we've gone just about as far as we can go in encouraging governments themselves to reform in this region. There's only so far you can go in attempting to convince Geidar Aliev or Islam Karimov to turn into a John A. MacDonald or a George-Étienne Cartier.

What does this mean? I think it means that the focus in assistance programming should be on civil society. In the first place, this means educational opportunity in order to build a more broadly based understanding of what liberal democracy is and what it implies, with regard to the behaviour of both governments and peoples.

Second, effective engagement and effective use of the taxpayers' money, if you will, means investing in democracy, rights and the rule of law from the bottom up, not the top down. I think this means support of the NGO community and independent media.

The agenda of liberalization and democratization is a long-term one probably everywhere, but I think particularly in this rather curious region. It's best served by

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<sup>21</sup> Evidence, 13 April, 2000, p. 22.

<sup>22</sup> Evidence, 4 May, 2000, p. 7.

efforts to inform and engage the citizenry of the Caucasus and Central Asia in the building of their own political and economic futures. To fail to do so is to leave the region's destiny in the hands of superannuated, unrepresentative and generally corrupt elites, who cannot produce stability in the longer term and may indeed be fostering the very instability they claim to be controlling.<sup>23</sup>

He also warned, however, that while they can play an important role in strengthening civil society, care must be taken to avoid "flavour-of-the-month" NGO activity.<sup>24</sup>

The Committee agrees that civil society must be supported from below, particularly through the day-to-day work of such NGOs as women's groups, and that there should be a long-term focus on education. As Ms. Ria Holcak, Director of the Central and Eastern Europe Program at the Canadian Human Rights Foundation told the Committee, such an emphasis would also help address the serious human rights concerns in the regions. Her argument is worth quoting at length:

...there is no quick fix to the problems in the region. In our view, building a human rights culture in countries where there was no history of democracy and protection of human rights and where human rights is a new term in their vocabulary takes time. It's a long-term process. Trying to do so during a period of tremendous economic and social upheaval is even more difficult. Canada has an important role to play, but we can only be effective if we are willing to increase our investment and involvement and commit to a long-term engagement.

Over the long run, the hope lies in building up democratic institutions and promoting a culture of human rights. Support is needed for strengthening the democratic functioning of parliaments, reinforcing the independence of the judiciary, and establishing independent and effective human rights institutions. Given Canada's particular experience in this field, it makes sense for Canada to support the creation of independent ombudsman offices in the region.

However, strengthening institutions is not enough. No matter how much effort is put into parliaments, the judiciary, or human rights institutions, these energies will be wasted unless a similar effort is put into the emergence of a vibrant civil society capable of mobilizing the public to protect their own interests.<sup>25</sup>

She added:

One of the most effective ways for Canada to contribute to the democratization process is to support the human rights education initiatives that target schools and state

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<sup>23</sup> *Evidence*, 2 May, 2000, p. 12-13.

<sup>24</sup> *Ibid.*, p. 28

<sup>25</sup> *Evidence*, 13 April, 2000, p. 9.

officials. It is particularly important for the long term to target the younger generation by incorporating effective human rights education programs in the schools.<sup>26</sup>

A number of Canadian universities, such as St. Mary's, have already been active in these regions, as has the Canadian Bureau of International Education, while CIDA offers a limited number of scholarships. As Dr. Patrick Armstrong of the Department of National Defence argued in an individual presentation:

My personal recommendation is that we should do much more of it. Invest in the future, and in most of these countries, the future is young people. Bring them out here, get them to like Canada, teach them something useful and so forth. We have to do it in a humble way though, not in an arrogant way, which there has been far too much of.<sup>27</sup>

### ***Promoting Multilateral Cooperation***

Canada's experience with multilateralism has long been a key element in Canadian foreign policy, and can be put to good use in these regions, both in reinforcing existing cooperation mechanisms, and in encouraging evolving ones. As Dr. Robert Cutler argued before the Committee:

This region is extremely important as regards the future evolution of the international system in the 21st century. Therefore, Canada has the opportunity to make special contributions, building upon its established credibility in matters of multilateral cooperation. It is a fortunate situation that this possibility coincides with the pursuit of Canada's particular economic interests, as well as its general interests in human security.<sup>28</sup>

In terms of existing mechanisms, to increase Canadian engagement with the South Caucasus and Central Asia — and leverage what will remain a modest contribution — it is vital to complement the work of multilateral organizations and key donor countries to complement rather than duplicate effort.

### ***Regional Security, Stability and Peacebuilding Mechanisms***

The transition to economic prosperity and good governance can be achieved only in the context of regional stability and security. The South Caucasus and Central Asia are now more peaceful than they were in the early 1990s, but they are not necessarily more stable or secure. These states share such global concerns as the non-proliferation of

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<sup>26</sup> Ibid., p. 10.

<sup>27</sup> Evidence, 2 May, 2000, p. 23.

<sup>28</sup> Evidence, 2 May, 2000, p. 4.

nuclear weapons and material; however, their immediate security concerns are much more regional in nature.

### ***The Organisation for Security and Co-operation in Europe (OSCE)***

The specific security challenges of each region, from territorial integrity in the South Caucasus to terrorism and drug smuggling in Central Asia, will be considered in the following chapters. Yet the overall need is to adopt a comprehensive and co-operative approach to security in these regions which will both prevent the outbreak of further conflict and allow the longer term pursuit of peacebuilding strategies to overcome the legacy of the past. For these reasons, while a number of key multilateral organizations, including the United Nations High Commissioner for Refugees (UNHCR), the World Bank, the Council of Europe and the EBRD, play an important role in humanitarian assistance and supporting transition, the Committee believes the key vehicle for ensuring security, stability and peacebuilding in these regions to be the OSCE. According to James Wright of the Department of Foreign Affairs and International Trade:

We have also provided strong support for the activities of the Organization for Security and Cooperation in Europe. This is a key institution that has been very effective in building acceptance of democratic values and institutions throughout Europe. By posting Canadian officers at key missions from time to time, participating in election observer missions such as in Georgia, Kazakhstan, the Kyrgyz Republic, and Armenia and in other activities to support and encourage the development of democracy and stability in the region, Canada has been able to encourage the work of the OSCE and to advance the transformation of the region...<sup>29</sup>

For a number of reasons, the OSCE has never lived up to the expectations of the early 1990s, when many believed it could become the predominant security institution in post-Cold War Europe. Yet its comprehensive and co-operative approach to security, including the codification of interrelated security and democratic principles — and its inclusion, since 1992, of a parliamentary dimension in the form of the OSCE Parliamentary Assembly — makes it key to the security of its members in Europe and North America. This is particularly true in the complex regions of the South Caucasus and Central Asia, whose multiple problems are not amenable to military solutions. As Alex Neve of Amnesty International argued before the Committee:

The OSCE, despite some weaknesses and imperfections and inconsistency from time to time, is obviously one of the most important international bodies that's active in the region ...I would encourage Canada, as a member of the OSCE, to encourage the OSCE to do more and to do better in addressing the kinds of issues you've heard from us this morning, but other that you'll hear as well.<sup>30</sup>

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<sup>29</sup> *Evidence*, 4 April, 2000, p. 7.

<sup>30</sup> *Evidence*, 13 April, 2000, p. 13.

In addition to its large size and procedures for making decisions by consensus, the OSCE has been constrained by the unwillingness of member states to advance its greater resources and responsibility. As Professor Neil MacFarlane noted before the Committee, "...among international organizations, obviously the OSCE is the most underresourced." He added that "...I think that as a community the community of western states hasn't actually decided on just what the role of the OSCE should be and how it's to be useful and whether we should invest in it. I think we should invest in it, but who am I?"<sup>31</sup> With its multiple roles of early warning, conflict prevention, crisis management and post-conflict rehabilitation, the OSCE has played an important role in the South Caucasus in particular, and can be encouraged to increase its activity in Central Asia. Though the Committee believes that Canada must increase its practical support for the OSCE, resources alone are not enough. More fundamentally, there should be a policy of strengthening Canada's focus on the OSCE as a key element in post-Cold War international relations.

### ***Parliamentary Diplomacy***

The peaceful development of the South Caucasus and Central Asia will demand regional cooperation on many levels. Dr. Robert Cutler argued before the Committee that one potential field for such cooperation lay in parliamentary diplomacy. Noting the increasing importance of interparliamentary bodies in increasing dialogue and cooperation among legislators and in representing civil society to executives, Dr. Cutler recommended that the Government of Canada support the development of parliamentary diplomacy in the South Caucasus and elsewhere through the existing mechanism of the Parliamentary Centre in Ottawa, a non-profit institution which provides training and capacity building for parliamentary bodies around the world. As he put it:

As you know, the Parliamentary Centre holds regular training and development sessions for parliamentarians around the world. The Parliamentary Centre, I submit, should be given the means to undertake a comprehensive program of both training and research on international parliamentary institutions — or IPIs for short — because there is little, if any, systematic knowledge about these brand-new institutions, as a whole. The program may be given on a continuing basis, for these IPIs are becoming a fixture in world society. They will influence, indeed they have already influenced, the evolution of trade, development, and the norms and structures of the international system...IPIs are developing into an important societal oversight mechanism on traditional executive-based diplomacy. They also establish ongoing transnational relationships that restrain old power politics, where civil society and NGOs are underdeveloped and politically constrained. In such a manner, they prepare a middle ground for interstate cooperation.<sup>32</sup>

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<sup>31</sup> *Evidence*, 2 May, 2000, p. 35.

<sup>32</sup> *Evidence*, 2 May, 2000, p. 2-3.



In the specific case of the South Caucasus, the Presidents of the parliaments of Azerbaijan, Georgia and Armenia agreed in June 2000 that parliamentary cooperation between their countries which had begun the year before had "contributed greatly to building confidence and good relations in the region,"<sup>33</sup> and agreed to establish a single and permanent tri-parliamentary working group to deal with issues of mutual concern. In testimony before the Committee, Dr. Robert Cutler also outlined one NGO proposal, which will be discussed further below, for the creation of a "South Caucasus community" which would include a regional parliament to increase dialogue and cooperation among legislators.

The members of the Committee are under no illusion that supporting and encouraging further parliamentary cooperation in the South Caucasus and Central Asia will alone solve the myriad problems facing these regions. At the same time, given the increased importance of interparliamentary bodies in the exchanges of views and for the development of greater understanding, the Committee agrees on the potential usefulness of encouraging further parliamentary cooperation among the states of the regions, and more broadly as well.

### ***Democratic Debate***

An ongoing challenge in the South Caucasus is the legacy of violent conflict in the early 1990s, perhaps best exemplified by the case of the Nagorno-Karabakh enclave in Azerbaijan. As James Wright noted before the Committee:

...Nagorno Karabakh is one of the more difficult challenges. Here ethnic tension gave rise to violence and armed rebellion. Efforts to ease this tension, however, ran up against the twin principles of territorial integrity and the right of self-determination, the key principles behind the OSCE. From this distance we can see how Azerbaijan's reliance on territorial integrity to guide its actions and claims runs afoul of the right of self-determination by the Karabakh Armenians. Equally, we can see how Karabakh Armenians claiming self-determination undermines the territorial integrity of Azerbaijan. This does not lend itself to an easy fix.<sup>34</sup>

Historical explanations for the conflict in Nagorno-Karabakh vary widely, and Committee members who travelled in the region have heard them all. Yet they have also seen the more practical consequences of this and other conflicts in the camps full of thousands of refugees and Internally Displaced Persons (IDP) they visited in Azerbaijan.

While it is not possible to compare the situation in Canada directly with those in the South Caucasus and Central Asia, Mr. Nazeer Ladhani of the Aga Khan Foundation of

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<sup>33</sup> *Joint Declaration by the Presidents of the Parliaments of Armenia, Azerbaijan and Georgia*, Strasbourg, 5 June, 2000, Council of Europe Web site.

<sup>34</sup> *Evidence*, 4 April, 2000, p. 5.

Canada spoke before the Committee of the importance of Canada's "multicultural democracy." In his words:

What differentiates Canada's ethnic diversity from that in the central Asian states? It is our successful development of what His Highness the Aga Khan has referred to as a multicultural democracy. What does multicultural democracy mean? It means governing responsibly, through openness and tolerance. It means affording opportunities to all citizens, while maintaining their identities, irrespective of their religious or ethnic affiliations, to participate in the social, economic and political development of the country.

Of all the countries of the industrialized world, the accomplishments of Canada's multicultural democracy are arguably the most envied internationally. Canada is recognized as a learning model for countries undergoing the often turbulent transition to democracy. This is Canada's most important value added, one that it can leverage, and be admired in so doing, to advance its interests in the region.<sup>35</sup>

Dr. Patrick Armstrong has pointed out the need to avoid arrogance in giving advice to the states of these regions; however, the Committee can only note that democratic and non-violent debate over these and other questions is infinitely preferable to the alternatives.

### ***Non-Governmental Organizations (NGOs) and Early Warning Mechanisms***

The Caucasus and Central Asia are tremendously complex; as Patrick Armstrong noted before the Committee, while common, single explanations are often misleading. A useful tool for understanding and placing the complex regions of the South Caucasus and Central Asia in perspective was the project for Country Indicators for Foreign Policy (CIFP) at Carleton University in Ottawa. As Professor David Carment explained to the Committee, the CIFP project maintains a database of up-to-date information on all of the countries with which Canada has foreign relations showing some 80 political, economic and other indicators, which can be displayed in a number of ways to help understand countries and regions. In addition to planned improvements to the database, by pursuing links with international knowledge networks such as the London-based Forum for Early Warning and Early Response (FEWER)—which also trains local analysts in the Caucasus and Central Asia to understand the kinds of indicators that are responsible for conflict—this project may prove even more useful as an early warning and therefore conflict prevention tool. As Professor Carment pointed out in his testimony before the Committee:

...one of the reasons we collect data is not just simply to decide for ourselves...what Canadian foreign policy should be, but also to inform Canadians why they should care....Also I think that the collection of data and the broadcasting of that information in

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<sup>35</sup> Evidence, 4 May, 2000, p. 15.

a public forum provides a key monitoring activity...which would allow us to better understand whether or not these societies are sincere about embracing change.<sup>36</sup>

The Country Indicators for Foreign Policy project is not perfect, as some members pointed out during the Committee's meeting with Professor Carment in May 2000; it needs to be complemented by other sources of information. Yet given the importance of ensuring the availability of public and up-to-date information to assist legislators and others in evaluating developments and trends that inform Canadian foreign policy, as well as to provide early warning to help prevent conflict, members believe this project merits further support.

### ***Cooperation with Regional Actors***

The states of the South Caucasus and Central Asia have struggled to ensure that they are no longer defined by their relations with former imperial powers such as Russia, Turkey, Iran or others; however, these neighbouring powers will play an important role in the development of the regions. The states of the South Caucasus and Central Asia therefore need to understand the policies of those countries, and work as far as possible to ensure peaceful and mutually beneficial cooperation with them and other important actors such as the United States, the European Union, China and South Asia.

### ***Russia***

Russia has obviously experienced tremendous foreign policy and other changes over the past decade. Russia has always regarded the South Caucasus and Central Asia at least partly as important security buffers along its borders. As James Wright of the Department of Foreign Affairs and International Trade argued in April 2000:

The loss of empire has been difficult for the Russian people, and they continue to struggle with it. The Russian notion of the "Near Abroad" says it best — it represents an important psychological distinction for Russians between the lost republics and the longer established independent states...the key is that Russia continues to try to carve out an active role for itself throughout the region, even as economic relationships often evolve in the opposite direction.<sup>37</sup>

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<sup>36</sup> *Evidence*, 2 May, 2000, p. 27

<sup>37</sup> *Submission*, James R. Wright, Director General, Central, East and South Europe, Foreign Affairs and International Trade, *Presentation to the Standing Committee on Foreign Affairs and International Trade of the House of Commons on Central Asia and the Caucasus*, *Submission*, 4 April, 2000, p. 6.

While many take a consistently negative view of Russia's role in the development of the states of the South Caucasus and Central Asia, the Committee does not believe this is justified, although its military forces still stationed in the region can be said to have had both positive and negative effects. Given a long history of often troubled relations, capped by seven decades as part of the Soviet Union, it seems likely that their relationships with Russia will remain both the most complicated and, perhaps, the most critical for the states of the South Caucasus and Central Asia. There could be no more powerful incentive for cooperation.

In fact, as Ron Halpin of the Department of Foreign Affairs and International Trade told the Committee in April 2001:

Over the first fifteen months of President Putin's administration we have seen a considerable evolution in Russian foreign policy, particularly with regard to the countries of the "Commonwealth of Independent States."...President Putin now seems to be paying more attention to the promotion of Russian economic interests. Furthermore, he is pursuing these interests bilaterally, rather than using the more traditional but unwieldy multilateral mechanisms. This is evident in the role Russia is playing in the resolution of the Nagorno-Karabakh dispute, and has led to a more constructive relationship between Russia and Azerbaijan. President Putin has travelled frequently in the region throughout the last year, in stark contrast to his predecessor.<sup>38</sup>

## **Iran**

In the early 1990s many argued that Iran represented a threat to the sovereignty and stability of the states of the South Caucasus and Central Asia. Its attempts to increase its relations with these states in the years following their independence, however, met with limited success. While the current struggle between reformers and hard-liners in Iran is primarily domestic, it also has important implications for Iranian foreign policy. As Dr. Rob Sobhani, who focuses on U.S. policy on Iran, the Middle East and the Caucasus at Georgetown University, argued before the Committee:

In the early 1990s, Iran's role was very negative. They were trying to undermine some of these regimes, some of the weaker ones like Azerbaijan. With the election of President Khatami, ideology has been taken out of Iranian foreign policy and pragmatism has been injected...

What you see today is a more pragmatic approach to the whole region. Iran is interested in stability because war will create refugees, which means they're going to come into Iran, for example...With the exception of the Arab-Israeli conflict, you will see

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<sup>38</sup> Ron Halpin, Director General, Central, Eastern and Southern Europe, Foreign Affairs and International Trade, *Presentation to the Standing Committee on Foreign Affairs and International Trade, House of Commons, on Central Asia and the Caucasus*, 26 April, 2001, p. 11-12. See also *Evidence*, 26 April, 2001.

a pragmatism, which includes the Caspian, and cooperation with the other Persian Gulf countries such as Saudi Arabia.<sup>39</sup>

In fact, he added, Canada could use increased relations with the Caspian region as a "springboard" for entrée into Iran and the Persian Gulf region.<sup>40</sup>

### **Turkey**

James Wright of the Department of Foreign Affairs and International Trade noted before the Committee in 2000:

We would be remiss if we did not mention Turkey, a country that wields important influence as a newly opened gateway to the Caucasus and Central Asia. On the western edge of the region, Turkey with its historical and linguistic links plays a key role as a model of secular development in an Islamic region, and as a market especially for Caspian oil and gas, and supplier of modern goods and services. Turkey also has a stabilizing influence on the regional security stage as a military power and NATO and OSCE member. However, the ever present risk of further destabilizing ethnic conflict [sic] within the Caucasus is another potential dark cloud affecting Turkish interests. Moreover, friction with Armenia over Nagorno Karabakh and interpretation of the tragic events during the collapse of the Ottoman empire continues.<sup>41</sup>

Members of the Committee, particularly the four who visited Turkey during the trip to the South Caucasus, believe that the potential exists for significantly expanding bilateral relations between Canada and Turkey. At the same time, issues such as minority rights and freedom of expression will continue to be contentious, and members regret that they did not have the opportunity to meet with Kurdish representatives while in Turkey.

From the perspective of the present study, however, while Turkey will play a special role in the development of these regions, the key fact is that after many years of dialogue and political and economic reform, it is itself still being integrated into Europe, and its human rights and other policies are continually monitored by European institutions to which it belongs, such as the the Council of Europe.

Turkey is a complex country, and the collapse of the Ottoman empire had a strong influence on modern Turkey's approach to territorial integrity and minority rights. For years the actions and policies of Turkey on its Kurdish minority have been the subject of international criticism, not least in international bodies such as the Council of Europe. As one interlocutor noted in Istanbul, however, in a practical sense this criticism arises because Turkey is judged in comparison to Western states rather than its neighbours in

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<sup>39</sup> *Evidence*, 11 April, 2000, p. 23-24.

<sup>40</sup> *Ibid.*, p. 18.

<sup>41</sup> *Evidence*, 4 April, 2000, p. 6.

the Middle East. Turkish Foreign Minister Ismail Cem defended that country's approach to minority rights and other related issues when Committee members raised them in Ankara. He also admitted, however, that the development of rights and freedoms in Turkey was delayed first by the Cold War and later by a serious internal terrorist threat.

The past year has seen severe economic problems in Turkey, yet this should not obscure other progress. As Committee members were told repeatedly in Turkey in 2000, the year 1999 represented a significant milestone in modern Turkish politics: There was a seeming resolution of the worst of its internal terrorist problem following the capture of Abdullah Öcalan and the unilateral declaration of a cease-fire by his Kurdistan Workers' Party (PKK), important political reforms, a significant rapprochement with neighbouring Greece, and Turkey's belated acceptance as a candidate member of the European Union. While welcoming these developments, Canada and other states will continue to press Turkey over minority rights and other issues in appropriate forums.

The states of the South Caucasus and Central Asia do not want a Turkish "Big Brother" to replace their previous Russian one. As we shall see below, however, Turkey has played a very positive role in advocating a Caucasus Stability Pact modelled on that of the Balkans. Like Canada and other states, the newly independent states of the South Caucasus and Central Asia can see from the experience of Turkey that integration into Europe through key multilateral organizations such as the Council of Europe carries significant responsibilities as well as rights; true integration depends on values at least as much as geography.

## **II. IMPLEMENTING CANADIAN POLICY**

As noted above, faced with no pressing need to build and maintain a Canadian presence and a lack of resources, Canada's presence in and policy toward the South Caucasus and Central Asia has been undeveloped. An important result of this is a lack of adequate Canadian diplomatic representation in these regions: Canada has only one embassy in Central Asia, in Almaty, Kazakhstan, which handles relations with Kazakhstan, the Kyrgyz Republic and Tajikistan. Canada has no embassy in the South Caucasus; relations with the three states of the South Caucasus and Turkmenistan and Uzbekistan in Central Asia are handled from Ankara — Azerbaijan, Georgia and Turkmenistan — and Moscow — Armenia and Uzbekistan. Both the fact that Canada has the lowest profile in the region of any G-8 state and the lack of experienced Canadian diplomatic and other personnel on the ground there are significant impediments to achieving the Canadian foreign policy objectives noted above. Increasing Canada's profile simply for its own sake would be a waste of money; on the other hand there must be a public demonstration of Canadian interest if Canada's foreign policy objectives in the regions are to be achieved. If nothing else, as American expert Dr. Rob Sobhani pointed out to the Committee, the lack of Canadian presence hurts Canada's chances of increasing economic ties with Azerbaijan and other countries in the regions:

The way it works, the Maple Leaf needs to be there. If they don't see the Maple Leaf, it's difficult, because when they're negotiating with the president, the prime minister or the oil minister, his first question is to ask where the ambassador is. The response is "Sorry, Canada doesn't have an ambassador." That immediately takes away from the bargaining position.<sup>42</sup>

Economic considerations cannot be the sole driver of Canadian policy in these regions, of course. As Sobhani pointed out to the Committee, however, high-profile contacts with foreign governments are particularly important for new states asserting their independence. In his words, "...the relationships with Canada and America and France form the bedrock of the independence of these countries. They see their assets as the only way to guarantee their independence."<sup>43</sup>

Such high-profile expressions of interests are useless without increased presence on the ground. For example, in a written summary of its conclusions after some 25 years of operation in Central Asia, SNC Lavalin suggested increasing Canadian government activity in Central Asia, including visits by officials and representatives of the Export Development Corporation (EDC), and increased work by CIDA.<sup>44</sup> In the following two chapters the Committee will make specific recommendations for increasing Canadian representation and profile in these regions.

There must also be enhanced coordination among departments. An example of the current lack of such coordination was given to the Committee by Mr. Denis Leclaire, Director of International Activities at St. Mary's University in Halifax, one of a number of Canadian universities that have been active in capacity building in the South Caucasus and Central Asia. While Mr. Leclaire spoke positively of the potential for St. Mary's and other Canadian universities to assist in the transformation process, he agreed with the need to increase Canadian presence in these regions and stressed the importance for universities of streamlining the issuing of visas. As he noted:

Visas to Canada, either to visit or for student authorization, are much more difficult to obtain than to the U.S. or to Europe. Even with projects funded by CIDA or other donor agencies, Canadian immigration officials mostly — and I must say in this case in Moscow — have put up some barriers, time barriers, administrative barriers...

It is interesting that at a time when we are encouraged to do work in the region by one government agency, CIDA, and are encouraged to recruit international students to Canada by DFAIT and by Industry Canada, we often end up with larger difficulties with

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<sup>42</sup> *Evidence*, 11 April, 2000, p. 37.

<sup>43</sup> *Ibid.*, p. 13.

<sup>44</sup> *Submission*, SNC Lavalin, "Committee Study on Advancing Canada's Foreign Policy Interests in the South Caucasus and Central Asia," 11 April, 2000.

visas when trying to encourage students to come to Canada. This is especially the case in the former CIS countries.<sup>45</sup>

The issue of student visas is an important one for the country, and in this context is also linked to the role of Honorary Consuls.

Overall, the Committee believes that there should be a new Canadian foreign policy focus on these regions with both a significant increase in resources and specific emphases as noted above and in the following two chapters.

### **Recommendation 1**

**In view of the importance to Canadian Foreign Policy of the South Caucasus and Central Asia, the Committee recommends that the Government of Canada develop, prepare, and publish a policy statement outlining a significant increase in Canadian engagement with the Countries of these regions. As noted above, such a policy must adopt a long-term perspective, and include:**

- **an immediate significant increase in Canadian diplomatic and other personnel stationed in these regions, as well as an increase in Ottawa-based support;**
- **a focus on educational support, including human rights education and increased Canadian scholarships for students from these regions;**
- **a recognition of the importance of the rule of law, and specific initiatives to combat corruption;**
- **a significant emphasis on the Organization for Security and Cooperation in Europe (OSCE) as a key means of advancing security and democratic development goals in these and other regions.**
- **streamlined procedures for expediting visas for students from these regions;**
- **an increase in Canadian aid to these regions, as set out subsequently in this report;**
- **a working visit to the regions by the Minister of Foreign Affairs, both to demonstrate increased Canadian interest in the regions and to contribute to the development of an enhanced Canadian policy.**

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<sup>45</sup> Evidence, 2 May, 2000, p. 7.



## **Recommendation 2**

**While applicable beyond the South Caucasus and Central Asia, the Committee recommends that the Government of Canada invite a proposal from the Parliamentary Centre for the establishment of a program of training and research on the increasingly important area of “parliamentary diplomacy” and interparliamentary institutions, focussing particularly on their potential in the South Caucasus and Central Asia. The Committee also recommends that the Government of Canada support the further development of the Country Indicators for Foreign Policy (CIFP) project at Carleton University.**

### **Advancing Canada's Relations with the South Caucasus**

*The sole aim of my introductory remarks is to convince you that this part of the world is extraordinarily complicated and that most of what goes on there is internal and not the effect of outside actors.*

*Anybody who tells you that everything is the fault of the Russians, or that it's the U.S. or NATO, or that Turkey is running things, or that it's really all about oil, or the "Great Game," is only telling you five percent of it. There are no simple explanations for anything in the Caucasus.*

Dr. Patrick Armstrong  
May 2000<sup>46</sup>

### ***Conflict Resolution and the Challenges of the South Caucasus***

Confronting the interrelated problems of South Caucasus presents a paradox: struggling with the complexity of the region risks inducing a feeling, particularly among outsiders, that nothing can be done; however, assisting the three states of Georgia, Azerbaijan and Armenia to achieve much-needed security, democracy and prosperity requires making use of existing mechanisms.

As we will see below, the Committee has concluded that Canadian policy toward the South Caucasus must be based on three basic points: while small and poor, these three states are very important to Canada and others; though each state is unique, it must be seen as part of a single region; and Canada must significantly increase both its attention to the region and its own permanent presence there if it is to advance its foreign policy objectives.

The following sections review regional security, economic and governance trends, then consider separately circumstances in each of the three states. Following ceasefires, the states are more peaceful than they were in the early 1990s, yet long-term solutions must be found to their "frozen" conflicts and to repair the physical and other damage these have caused. These problems, particularly the existence in each state of large populations of refugees and Internally Displaced Persons (IDP) must be overcome if the region is to make progress in its economic and democratic development. Ideally, conflict resolution and economic and political development should proceed in parallel. Yet in this

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<sup>46</sup> Dr. Patrick Armstrong, *Submission*, "The Complex Skein of the Caucasus and Central Asia, Presentation to SCOFAT," 2 May, 2000.

region, as Committee members found when they visited it in May 2000, some argue that conflict resolution must take precedence and others that priority for economic development would foster compromise and assist conflict resolution. Indeed, in a description which often seems to apply to the region as a whole, one observer in 1998 compared Ossetia to a Rubik's Cube puzzle — since it seems no single step can be completed until all are.<sup>47</sup>

While some in the South Caucasus blame the lack of progress on conflict resolution on the negative influence of regional powers and Western indifference, most outsiders blame it on the existence of groups in the region with vested interests in the status quo, and a lack of political will for change among regional leaders.<sup>48</sup> The last seven years without active conflict have at least allowed regional leaders to understand the nature of the compromises necessary for conflict resolution, and the necessity of such resolution before the states can be fully integrated into both Europe and the broader international community. As politicians, members of the Committee understand both the difficulty and the value of demonstrating and sustaining political will; Committee members hope that the regional leaders and legislators they met in the South Caucasus, given necessary bilateral and multilateral support, are now capable of doing so.

## I. REGIONAL FACTORS IN SHAPING CANADIAN POLICY

Located between the Black and Caspian Seas near the junction of Europe and the Middle East, the mountainous Caucasus (Persian for "ice-glittering") region is ethnically complex and has long been on the edge of great empires. As Patrick Armstrong noted before the Committee:

...all these peoples, with mutually incomprehensible languages, different histories, different ambitions, long-standing enmities, different religions crammed into an area that, altogether, is about the same size as Southern Ontario. There's nothing like this place anywhere.<sup>49</sup>

The three states of the South Caucasus are both small and relatively poor: Azerbaijan is the largest, with a population of some 7.7 million and an area of 86,600 sq. km; Georgia follows with 5 million people and 69,700 sq. km, and Armenia, with an official population of about 3 million — although most assume the real population is smaller — has an area of 29,800 sq. km. The past decade has been economically and

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<sup>47</sup> Liz Fuller, "Rubik's Cube in Ossetia," Radio Free Europe Radio Liberty (RFERL) Report, 4 May, 1998, quoted in G.P. Armstrong, *Russia, The South Caucasus and the Caspian: A Handbook*, D Strat A Research Note 98/05, Ottawa, Department of National Defence, August 1998, p. 37.

<sup>48</sup> Jonathan Aves, "Political and Economic Prospects in the Caspian Sea Region," *Wilton Park Report*, 6 April, 2000, Wilton Park website, p. 1-2.

<sup>49</sup> *Evidence*, 2 May, 2000, p. 15.

otherwise difficult for the people of these states. While they remain near the middle of the United Nations Human Development Index — Georgia was 70th of 174 countries in the year 2000, Azerbaijan 90th and Armenia 93rd — the ranking of each has decreased since independence.<sup>50</sup> According to information provided by the EBRD, the forecast level of real income for 2000 in each country was less than half what it was in 1989.<sup>51</sup>

	<b>Bilateral Merchandise trade 2000 (thousands C\$)</b>	<b>Bilateral assistance 2000-2001 C\$</b>
	<b>Exports to/imports from (two-way total)</b>	
Armenia	1,873/1,277 (3,150)	524,397
Azerbaijan	3,699/357 (4,056)	394,618
Georgia	5,604/610 (6,214)	406,936
<b>Totals</b>	<b>11,176/2,244 (13,420)</b>	<b>1,325,951</b>

Sources: Statistics Canada; Canadian International Development Agency

### ***Conflict Resolution, Regional Cooperation and Peacebuilding***

The security situations in the three states of the South Caucasus is determined first by their internal conflicts, and second, by their relations with neighbours, especially the former imperial powers of Russia and Turkey.

Two of the most poisonous legacies of the Soviet Union were arbitrary borders and the continued existence in some republics of an obsolete form of exclusive nationalism.<sup>52</sup> These problems were also exacerbated by Stalin's actions in forcibly deporting peoples to other regions of the USSR. In the South Caucasus, this combination led in the early 1990s to severe conflicts in Abkhazia and South Ossetia in Georgia, and in the Armenian enclave of Nagorno-Karabakh in Azerbaijan. These conflicts killed thousands and resulted in some 1.5 million refugees and Internally Displaced Persons: more than 800,000 refugees and IDPs in Azerbaijan, more than 300,000 IDPs in Georgia and

<sup>50</sup> United Nations Development Program, "Human Development Index," in *Human Development Report 2000*, UNDP website.

<sup>51</sup> European Bank for Reconstruction and Development, (John Kur), *Commentary on Central Asia, Presentation to the Canadian House of Commons Standing Committee on Foreign Affairs and International Trade — May 2000*.

<sup>52</sup> Armstrong, (1998), p. 31.

300,000 refugees in Armenia. In all three cases, the residents of the disputed territories retained control of them, with Russian-led peacekeeping forces and international organizations monitoring cease-fires.

As one observer has noted, Russia played the primary external role in the suspension of conflicts in the South Caucasus, while Western and international organizations contributed by helping the victims of war and encouraging contact and negotiation between the parties in conflict.<sup>53</sup> In the years since then, the international community has continued to encourage conflict resolution. The chairs of the "Minsk Group" (the United States, Russia, Germany, France, Czech Republic, Sweden, Italy, Belarus, Turkey, Azerbaijan, Armenia) have been mandated by the OSCE to negotiate a peace settlement on Nagorno-Karabakh, while the OSCE also works in South Ossetia and the UN works in Abkhazia. In each case, the international community has pursued settlements based on an acceptance of Soviet-era borders, including territorial integrity of the states in question and the highest possible degree of autonomy and security for minority populations. The Nagorno-Karabakh conflict remains the key to regional conflict resolution in many ways, since it involves not only two of the three South Caucasus states, but also neighbouring Turkey. Its resolution could therefore help improve relations between all three states, with positive economic and other results.

The problem of large refugee and IDP populations challenges each of the states, particularly Azerbaijan, both from a humanitarian point of view, and also because of the significant economic and social pressures they exert. The international community has so far mainly contributed on a humanitarian basis; however, the lack of progress in reaching settlements has recently encouraged more solution-oriented approaches by the United Nations High Commissioner for Refugees (UNHCR) and others. The UNHCR has played a key role in humanitarian relief. Yet the fact that Internally Displaced Persons are not technically refugees means that UNHCR must launch special appeals to help these populations; this has resulted in intermittent and reduced funding because the needs continue although the crises have ceased to make headlines. As Committee members learned during their visit to the region, Canada's contribution to these efforts has been quite small, though, of course, any help is welcome: in Ganja, Azerbaijan, one man thanked Committee members for donated Canadian seeds — distributed there by the Adventist Development and Relief Agency (ADRA) which produced flowers that reminded him of those in his home in Nagorno-Karabakh. While small, however, Canada's most recent official contribution to this work prior to the Committee's visit was also highly instructive: CIDA's contribution in 1998 of some \$ 90,000 to a UNHCR/UNDP pilot project for repatriating IDPs to areas from which Nagorno-Karabakh military forces had withdrawn freed up much larger U.S. funds of over \$ 2 million — an example of the type of leveraging all donors, particularly more modest ones, must seek and encourage.

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<sup>53</sup> Neil MacFarlane, *Western Engagement in the Caucasus and Central Asia*, (1999), p. 52.

By mid-2000 prospects for resolution of at least some of the conflicts appeared somewhat brighter: as part of its admission to the Council of Europe in 1999, Georgia agreed to set out a legal framework for guaranteeing autonomy for Abkhazia and South Ossétia within two years. The presidents of Armenia and Azerbaijan have continued bilateral meetings over the years on the issue of Nagorno-Karabakh, and the Council of Europe recognized progress in this area in its January 2001 decision to admit Armenia and Azerbaijan together as members.

All the states are publicly committed to finding peaceful solutions; however, the question is whether to wait for the perfect "package" to resolve all issues at once, or to pursue phased approaches that can increase confidence. Given that territorial exchanges or recognized secession may seem beyond reach at the moment, the latter path may seem more promising. In the case of Abkhazia, for example, it has been suggested that a partial return of the Georgian-Mingrel population to the Gali district could be accompanied by an expanded international monitoring presence, thereby reassuring both the Abkhaz and the returnees. If the rail line from Russia through Abkhazia to the rest of Georgia were also to be rehabilitated and reopened, the Abkhaz would benefit most directly, but all would enjoy increased regional trade. Similarly, the return of IDPs into the territories between Nagorno-Karabakh and Iran, coupled with demilitarization and an international monitoring presence and assistance, could be traded for the reopening of the railway line between Baku and Yerevan; this would reduce IDP pressure on Azerbaijan and end its blockade of Armenia. No matter which approach is ultimately successful, it will require international assistance and support in the form not only of donations and technical assistance but quite probably international monitors or peacekeeping troops.

### ***A Stability Pact for the Caucasus***

Given their geography and history, the three states of the South Caucasus can only be truly secure in a cooperative system. At the November 1999 OSCE Summit in Istanbul, Armenia and Azerbaijan publicly called on OSCE member states to create a security system for the South Caucasus. According to one report, "At the time, however, the international community, concerned that the war in Chechnya might spill over into Georgia or Azerbaijan, reacted coolly to the proposal for a wider ranging security system. But the idea did not die altogether."<sup>54</sup> In the months that followed Turkish President Suleyman Demirel strongly supported the idea of "Caucasus Stability Pact," and told Committee members in Ankara in May 2000 that there was no other way to ensure the security and stability of the region. In March 2000, Armenia proposed a blueprint for such a pact based on the so-called 3+3+2 formula, based on an agreement between the three Caucasus states of Georgia, Armenia and Azerbaijan, with neighbouring Russia, Iran and Turkey as guarantors and two outside sponsors — the U.S. and the EU.

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<sup>54</sup> Harry Tamrazian, *Caucasus: Analysis — Seeking Security for the South*, Radio Free Europe Radio Liberty (RFE/RL), 9 June, 2000.

Azerbaijan later distanced itself from this idea pending a resolution of the Nagorno-Karabakh conflict; however, work continues on refining this regional community approach. For example, in June 2000 the Brussels-based Centre for European Policy Studies (which played an important role in drafting the EU's Balkans Stability Pact) unveiled a proposal for "A Stability Pact for the Caucasus," which Dr. Robert Cutler had earlier discussed with the Committee. This proposal would include a "South Caucasus Community" modelled on either the EU or another regional grouping such as the Association of South-East Asian Nations (ASEAN) and include its own parliament (Parliamentary Assembly) and executive (Council of Ministers).<sup>55</sup>

### ***International Cooperation and Peacebuilding***

Responsibility for resolving the conflicts and strengthening relations in the South Caucasus rests first with the states themselves, yet international involvement through such existing mechanisms as the OSCE, the United Nations and even NATO's Partnership for Peace (PFP) program can make a useful contribution to the security of the region.

As noted above, despite a lack of funding and consensus over its role, the OSCE has helped to improve the security of the South Caucasus, and can do still more in the future. As Professor Neil MacFarlane noted before the Committee:

If we look at relative success and relative failure, I would say the OSCE in Georgia has been fairly successful. Their principal responsibility is the monitoring and observation of the conflict in South Ossetia, coupled with the more general human rights monitoring role in Georgia as a whole.

South Ossetia has been quite stable for years, and it's universally agreed that the OSCE presence has played a significant role in this in at least two respects. First, it mitigates Russian predominance. The second is that the presence of foreigners, oddly, has built confidence among the locals. It creates a more reassuring environment in which they can start to rebuild economic connections between communities.

That said, among international organizations, obviously the OSCE is the most underresourced. You put the OSCE office in Tbilisi up against the UN office in Tbilisi and it's a whole different ball of wax. Where the OSCE has been effective in that context is in developing innovative means of cooperating with people like UNDP in order to release UNDP resources for projects with a conflict resolution thrust that the OSCE wants in South Ossetia. They've been reasonably successful at that.<sup>56</sup>

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<sup>55</sup> Ibid.

<sup>56</sup> *Evidence*, 2 May, 2000, p. 35.

The November 1999 OSCE Istanbul Summit finalized long-sought changes to the Conventional Forces in Europe (CFE) treaty, which reduced conventional military forces in Europe, and Russia agreed to dismantle two of its four military bases in Georgia. In more practical terms, following the resumption of the conflict in Chechnya in 1999, Russia accused Georgia of failing to control its border with Chechnya and allowing a significant number of rebel fighters to cross back and forth through the mountains at will. Georgia denied this claim and requested the OSCE to observe and report movement across that border. While in Georgia in May 2000, members discussed the work of the OSCE with Ambassador Jean-Michel Lacombe and international staff of the OSCE Mission to Georgia; they were particularly impressed with this recent and high profile example of how tension can be diffused, conflict prevented and refugees protected.

### ***NATO's Euro-Atlantic Partnership Council and Partnership for Peace***

Some have argued that NATO membership for Georgia and Azerbaijan would improve the security of the region. Given Russian sensitivities over NATO enlargement into this or other areas of the former Soviet Union, however, such a development would not in the short term increase regional security. Yet NATO can hopefully make a contribution through its Euro-Atlantic Partnership Council (EAPC) and Partnership for Peace (PFP) programs. PFP is designed to increase defence-related links and cooperation between NATO and individual countries. The EAPC is a multilateral forum which allows for regular consultation and cooperation between NATO members and some 27 partner countries, including Georgia, Azerbaijan, Armenia and Russia itself. An example of the useful consultation role of the EAPC occurred during the crisis in Kosovo. A more direct EAPC contribution to the security of the South Caucasus was a regional cooperation seminar held in Georgia in October 1998. It will not be easy to increase security and other cooperation with and between states of the South Caucasus while at the same time convincing Russia that this is not a threat to its interests. With EAPC and PFP, however, structures exist for Canada and other states to try.

### ***Cooperative Peacebuilding***

Beyond ending and preventing conflicts, in recent years it has become apparent that a key element in ensuring stability and security is repairing the fabric of states torn by conflict. Such "peacebuilding" programs have become increasingly important in Canadian foreign policy. As Stephen Wallace of CIDA noted before the Committee, "a ... lesson we have learned is that while regional cooperation is intrinsically valuable from a developmental perspective, it can also have a powerful peace-building impact. It's why most of our initiatives in the Caucasus involve at least two countries."<sup>57</sup> While some Government of Canada projects in the region have peacebuilding implications, few have

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<sup>57</sup> Evidence, 4 April, 2000, p. 10.



this specific objective. Given that it also promotes regional development, the Committee believes this to be a promising area for increased Canadian activity.

Academic organizations and NGOs have become increasingly active in peacebuilding efforts in the South Caucasus, although much of this work still tends to take place outside the region itself or in a single country there. One specific proposal that was submitted to the Canadian government adopted a joint approach to regional cooperation and operated in two phases. In the first, a team of academics and policy experts in each of the states of the South Caucasus would develop a detailed country perspectives paper on the subject of regional cooperation. In phase two, these papers would be compared and debated, and an agreed joint document produced providing common perspectives on regional cooperation and concrete suggestions for initiatives. The total cost of this project would have amounted to some \$ 160,000 (U.S.), but since half was available in matching funds, the amount needed was some \$ 80,000.<sup>58</sup> Despite funding delays, the project is currently expected to begin in the fall of 2001.

### ***Sustainable Economic and Social Development***

The states of the South Caucasus were among the poorest parts of the Soviet Union, and the past decade of conflict, closed borders and the challenges of transition to market economies — made even worse by the Russian economic crash of 1998 — has not helped their economic situation. As the summary report of a March 2000 expert conference on the Political and Economic prospects in the Caspian Sea Region at Britain's Wilton Park, noted:

...the independent states, which emerged in the South Caucasus and Central Asia after 1991, have failed to establish sustainable strategies for economic development, and particularly for the exploitation of the region's energy reserves. Their political prospects are hostage to uncertainties over succession and unresolved separatist conflicts.<sup>59</sup>

Yet in addition to the oil wealth of Azerbaijan, the three countries have highly educated workforces and a number of promising industries; if they were able to open their borders following successful conflict resolution and address widespread corruption, their economic prospects would be much brighter and foreign investment would increase.

As noted above, the states of the South Caucasus have been relatively successful in creating the framework for economic transition — Georgia became the 137th member

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<sup>58</sup> "Regional Co-operation and Conflict Prevention in the South Caucasus," Project Directors: S. Neil MacFarlane (University of Oxford and Dalhousie University) and Albrecht Schnabel (United Nations University), Project Proposal, 2000.

<sup>59</sup> Jonathan Aves, (2000), p. 1.

of the World Trade Organization in June 2000 — supported at least partly by capacity-building programs of Canada and other states. In terms of net foreign direct investment (FDI), Azerbaijan led with a forecast \$274 million (U.S.) in 2000, followed by Armenia at \$150 million and Georgia at \$109 million.<sup>60</sup> Corruption remains a significant problem in these countries, however: according to the EBRD, of firms asked whether it was common to make “unofficial payments” to get things done, 59.3% of those active in Azerbaijan said they did so frequently or more, 40.3 % in Armenia, and 36.8 % in Georgia (The average in a number of Transition Countries was 30.3%).<sup>61</sup>

While economic development is critical, in assisting the states of the South Caucasus, it is important to remember the ends to which increased resources must be put, rather than just focusing on the development itself. As Janet Hatcher Roberts of the Canadian Society for International Health and others noted before the Committee, the states of the South Caucasus need such development in order to address their serious health, social and other problems; this has implications for Canadian policy. In her words:

Our main concern is that Canada should not rely on trade and economic development alone to solve the serious problems of the South Caucasus. Canada should consider a long-term strategic investment in social development of the regions, including the promotion of human health and environmental sustainability.

Many rejoiced when the Soviet domination ended in the Caucasus in the early 1990s, but there have been dramatic declines in health status in these countries...Life expectancy for men has fallen in the Caucasus. There's a high maternal mortality and infant mortality rate. Many who once had access to free medical care cannot afford the cost of fee-for-service systems. Nutritional status has fallen...

She added:

Economic development may be conducive to better income, social tolerance and welfare, and finally health, but such a positive effect is not automatic. The prerequisites of health can even be adversely affected under economic growth if the appropriate social policies are not in place.<sup>62</sup>

### ***Energy and Other Resource Management***

The legal dispute over the division of resources in the Caspian Sea is still unsettled but in practice this has become less important over time as states have increasingly

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<sup>60</sup> European Bank for Reconstruction and Development, (John Kur), *Commentary on Central Asia, Presentation to the Canadian House of Commons. Standing Committee on Foreign Affairs and International Trade — May 2000*, and European Bank for Reconstruction and Development *Transition Report 2000*.

<sup>61</sup> Ibid.

<sup>62</sup> *Evidence*, 4 May, 2000, p. 6-7.

accepted the position that undersea resources should be divided among them in exclusive zones. The precise size of Azerbaijan's oil and gas resources remain to be seen, but they are significant, and, if properly developed, can improve the prosperity of the country and the region as a whole. Yet while Georgia, for example, stands to benefit increasingly from transit fees for oil pipelines — including those from the proposed Baku-Tbilisi-Ceyhan Main Export Pipeline — Armenia will not as long as Azerbaijan and Turkey continue to seal their borders because of the ongoing dispute over Nagorno-Karabakh.

Large volumes of oil at high prices may be sufficiently profitable to persuade Western firms to underwrite the huge cost of anywhere from \$2-\$6 billion (U.S.) of the Baku-Tbilisi-Ceyhan pipeline and others, although security and stability concerns obviously will be taken into account as well. If these states are to improve their economies, however, in almost every case geography and economics would make cooperation among them desirable. Recognizing the key importance of regional cooperation in the economic development of the region, the World Bank has promoted the idea of a Caucasian Cooperation Forum, bringing together multilateral agencies, donor countries, and the countries of the region for a mutual approach to regional cooperation.<sup>63</sup>

The World Bank proposal obviously takes a macro approach to increasing regional economic cooperation, but such cooperation is already underway at lower levels in the region. The thriving regional market at Sadakhlo on the Georgian-Armenian border is a good example. According to a June 2000 report in the *Economist* magazine:

Sadakhlo is close to the hinge on the map where the three Caucasus republics meet. Buses from Azerbaijan's capital, Baku, from Armenia and even from Nagorno-Karabakh itself queue up at the edge of the village. The Azeris exchange food, clothes and flour from Turkey and Russia for assorted Armenian produce and an Iranian washing-powder called Barf...

The market fills vital economic needs for the people of an extremely poor region, whose longest border is closed. Perhaps half the population of the Armenian capital, Yerevan, dress in Turkish clothes bought at Sadakhlo. Rebel Armenians in the self-proclaimed Nagorno-Karabakh republic happily drink Azerçay (Azerbaijani tea) produced by their supposed enemies. The Georgians seem content to keep customs duties to a minimum. "the trade centre here is not a free-trade zone," explains Jamal Bediev, the market's Georgian director. "Still, it solves a lot of interstate problems."<sup>64</sup>

As Committee members learned in Istanbul from representatives of the Turkish-Armenian Business Development Committee, unofficial commerce can be

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<sup>63</sup> European Bank for Reconstruction and Development, *Armenia: 2000 Country Investment Profile*, p. 5.

<sup>64</sup> "An Uncommon Market in the Caucasus," *The Economist*, London, 3 June, 2000, p. 53.

pursued as a means of increasing contact between parties to conflict, encouraging prosperity and building the confidence necessary to accept compromise. These representatives suggested several ways in which Canada could help development in the region and raise its profile there; they, too, recommended taking more students from the region to Canada.

Canada's economic links with the three countries of the South Caucasus remain minor: the number of Canadian firms active in the region is small, and two-way merchandise trade with Canada amounted to \$6.21 million (Cdn.) in 2000 in the case of Georgia, \$4.05 million with Azerbaijan and \$3.15 million with Armenia. While it is important not to overestimate the potential in the South Caucasus for Canadian oil and gas, construction and other firms, we should not underestimate them either — particularly if and when peace agreements are reached in the outstanding conflicts. A permanent Canadian diplomatic presence in the South Caucasus would almost certainly have increased economic links and enhanced the quality and quantity of information available to Canadians interested in pursuing opportunities there.

### ***Democratic Development and Good Governance***

The states of the South Caucasus have succeeded somewhat more than those in Central Asia in adopting international standards of democracy, good governance and human rights, yet they still have far to go. In a presentation covering both the South Caucasus and Central Asia, Alex Neve of Amnesty International recommended focusing on protecting human rights defenders, ending impunity and addressing persistent reports of torture. On the South Caucasus in particular, he stressed the challenges posed by ceasefires in Georgia and Nagorno-Karabakh and large refugee and IDP populations. He agreed that an increased Canadian presence in the region would be helpful in promoting human rights. As he noted, "increased presence — increased diplomatic presence in particular — is obviously giving us a greater capacity to start to take action, to monitor, to engage with the governments around these issues."<sup>65</sup> He added:

Another body not to forget is the Council of Europe, which, particularly for the states of the South Caucasus, is a very important body. I highlighted the fact, for instance, that Georgia has recently joined the Council of Europe. Canada is not a member of the Council of Europe, but we do have observer status within the Council of Europe. We follow it. We're active within it. We have discussions with those states, so that's another body to which we could devote some attention, which is a body that I think can play a very important role in advancing improvements on a lot of these fronts as well.<sup>66</sup>

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<sup>65</sup> Ibid., p. 13.

<sup>66</sup> *Evidence*, 13 April, 2000, p. 18.

The fact that these three states have now been accepted as members of the Council of Europe illustrates the progress made, and will help ensure they do comply with international legal and political norms — as the case of Turkey has shown over the last two decades. The values defended and promoted by Canada and others states are important in and of themselves. In the case of the South Caucasus, however, they are critical for conflict resolution in the region, an outcome that will demand significant compromises on all sides, willingness to provide tangible guarantees for minority rights within federal systems, and the ability to resist possible provocations by hard-liners with vested interests in the status quo. All of this depends critically on democratic principles and practice. As the summary report of a March 2000 expert conference at Wilton Park noted:

The weakness of civil society and the absence of an active, informed public opinion will be most felt when countries have to accept controversial peace agreements. Thus, the Azerbaijani and Armenian presidents, who are well-aware of the political and economic realities faced by their countries, are clearly able to agree on the outlines for a peace agreement on Nagorno-Karabakh. There is great anxiety, however, about the potential public reaction to compromises.<sup>67</sup>

## II. COUNTRY-SPECIFIC FACTORS FOR CANADIAN POLICY

### *Georgia*

Georgia continues to be preoccupied by the issue of territorial integrity stemming from violent civil wars in the early 1990s and faces significant other challenges, including that of corruption. Thus, and not least because its major problems are internal, Georgia remains a test case for transition in the Caucasus. As *The Economist* magazine put it in July 2000:

Georgia is both pro-western and more or less democratic, rare characteristics in the former Soviet Union: keep going due east from Tbilisi and you reach Japan before you find another country with a press that is as free or a civil society as worthy of the name. If everything went right, Georgia might join the European Union eventually, perhaps in a decade or two. Even more distantly, Mr. Shevardnadze would like it to join NATO. More immediately important, Georgia is the only feasible westward route for exports from the Caspian's copious oil reserves. A prosperous, democratic, stable Georgia would be a bastion of hope for the whole region — for Central Asia to the east, and for Russia's troubled fringe to the north. But if Georgia were to crack up or decay further, the Caucasus might stay blighted for a generation.<sup>68</sup>

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<sup>67</sup> Jonathan Aves (2000), p. 2.

<sup>68</sup> "Edward Shevardnadze, Georgia's Foxy President," *The Economist*, 15 July, 2000, p. 52.

## **Conflict Resolution**

The conflicts that racked Georgia in the early 1990s — a period President Edward Shevardnadze has called the “most difficult” in the history of the country — were provoked in the first instance by the extreme nationalist policies of Georgia’s government under President Zviad Gamsakhurdia. These policies resulted in violence and calls for independence in the regions of Abkhazia and South Ossetia. A measure of stability returned to Georgia following Shevardnadze’s return and election as president and the end of active conflict; however, several assassination attempts against Shevardnadze have shown that the situation in Georgia remains tense.

As Committee members learned in Georgia, of the two outstanding conflicts there, that in Abkhazia remains much further from settlement, still potentially volatile and erupting in occasional violent incidents. By accepting the existing borders of Georgia upon the dissolution of the Soviet Union the international community unanimously rejected Abkhazia’s demands for independence. Thus, the issue is the degree of autonomy Abkhazia can be granted within Georgia, and how to persuade the Abkhaz, who vividly remember the war of the early 1990s and are de facto independent, that they could enjoy physical and other security as a minority within Georgia. The Commonwealth of Independent States (CIS) peacekeeping force, maintaining the ceasefire in Abkhazia is currently composed of a single Russian contingent; the United Nations is active both in monitoring the ceasefire and in pursuing a comprehensive political settlement. As noted above, draft legislation guaranteeing a high degree of autonomy for Abkhazia and South Ossetia was a condition of Georgia’s entry to the Council of Europe in 1999. It remains to be seen whether the leaders of Georgia and Abkhazia can make the necessary compromises, encouraged and supported as necessary by the international community.

The conflict in South Ossetia is much closer to resolution. In an agreement signed in Moscow in 1996, Georgia and South Ossetia agreed that South Ossetia would remain within Georgia, and while differences remain they are much less extreme than in the case of Abkhazia. While in Georgia Committee members travelled to South Ossetia and met with its leader Loudwig Chibirov, and were directly confronted with the “chicken and egg” problem. There had been positive developments since 1996 and the solution to the conflict had reached its final stages. At the same time, Mr. Chibirov emphasized the very difficult humanitarian situation of the people of South Ossetia; indeed, his meeting with Committee Members took place just minutes after he had met with Mr. Francis Deng, the UN Secretary General’s Special Representative on Internally Displaced Persons. Noting that Canada has so far had little contact with South Ossetia, Mr. Chibirov asked that it help with even small donations of wheat, since bread was seen as the barometer of life in South Ossetia: in addition to solving serious internal problems, such a contribution would lighten the political mood, making a peace agreement easier to reach. While the Committee is aware that the international community would probably prefer to co-ordinate further assistance to South Ossetia after it has reached a peace agreement with Georgia, it believes that, as part of its enhanced policy on the South Caucasus; the Government of

Canada should seek a means to demonstrate its concern for the people of South Ossetia without prolonging the conflict resolution process.

Finally, President Shevardnadze has emphasized the importance of good relations with the Russian Federation, without which, in his words, "Georgian independence would be unthinkable."<sup>69</sup> Yet the continued instability in southern Russia — which Patrick Armstrong told the Committee results from a combination of factors, including a traditional Chechen desire for national freedom, the longstanding desire of some to create a "Mountaineer Republic" in the Caucasus, and the newer phenomenon of "Wahhabi" jihadists — has posed significant problems for both countries.<sup>70</sup>

As noted earlier, Russia has accused Georgia of failing to adequately control its border with Chechnya. Following months of Russian accusations and Georgian denials, in December 2000 Russia imposed a strict visa regime on Georgia, although it exempted residents of Abkhazia and South Ossetia. This regime has imposed a significant economic burden on Georgia, and, in the opinion of some observers, has succeeded in moderating Georgia's pro-Western stance into a more neutral one.

The stability and security of its southern borders is of legitimate concern to Russia, and the Committee does not share the view of some that Russia is responsible for all the conflicts in the Caucasus. At the same time, Russia's military actions in Chechnya have rightly been criticized on human rights and other grounds, and its imposition in the name of containing the conflict in Chechnya of a strict visa regime on Georgia which exempts residents of Abkhazia and South Ossetia raises questions about its broader motives.

Through the OSCE, the international community can act to reassure Russia that its borders are secure, but this cannot be done at the expense of Georgia. Given that in the summer of 2000 Georgia was forced for budgetary reasons to reduce its armed forces, including border guards, international assistance in this area would be very useful.

### ***Economic Development***

Georgia has reached a number of significant milestones of economic transition, particularly its entry into the World Trade Organization in the summer of 2000. While in Tbilisi, members met with representatives of the Ottawa-based Centre for Trade Policy and Law, which was carrying out CIDA-financed work to assist Georgia to develop trade policy expertise. The CTPL, established by the Government of Canada but now independent, has developed a useful model whereby trade policy groups are established in countries in transition, originally with links to governments but eventually independent.

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<sup>69</sup> European Bank for Reconstruction and Development, *Georgia: 2000 Country Investment Profile*, p. 6.

<sup>70</sup> *Evidence*, 2 May, 2000, p. 15.

This model has so far seen success in Russia and elsewhere, and Committee members believe it is a good example of how partnerships between government and the non-profit sector can assist transition.

Despite success at the WTO level, Georgia remains very poor — according to official data, more than 50% of Georgians live below the poverty line — and this poverty has significant social implications.<sup>71</sup> Foreign assistance can help, but public corruption and other challenges continue to limit foreign investment and restrain economic development. Committee members were therefore pleased to hear in Georgia of plans for a new anti-corruption program, including the appointment of a special (well-paid) anti-corruption group within the government; they would urge the government of Georgia to pursue action along these lines both to improve the lives of its citizens and also as a means of attracting foreign investment.

### ***Democratic Development***

Notwithstanding the relatively positive assessment of Georgia's progress in terms of democratic development and governance, much remains to be done: Amnesty International noted persistent concerns about the use of torture in Georgia, and, despite the strong popularity of Mr. Shevardnadze, the April 2000 presidential election was marked by irregularities. In addition, as noted above, successful conflict resolution requires that minority groups feel confident that democratic principles and processes are strong enough to offer real protection. This will be particularly true in Georgia, given its recent history of conflict and it will continue to be pressed on these and other issues in the Council of Europe, the OSCE and elsewhere. As noted, a permanent Canadian presence in the region would help monitoring of and engagement in these issues.

### ***Azerbaijan***

Azerbaijan is confronted with the twin challenges of overcoming the territorial and social legacies of the conflict in Nagorno-Karabakh and ensuring that its significant oil and gas resources are developed wisely: President Haidar Aliyev and government officials in Azerbaijan stressed the importance of oil development in meetings with Committee members in Baku. Such development, however, would be much easier in a stable security environment, and the resolution of the conflict in Nagorno-Karabakh — including the return to their homes of refugees and Internally Displaced Persons — remains the priority; President Aliyev told Committee members that the refugee problem is the most challenging task in Azerbaijan, both economically and politically.

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<sup>71</sup> European Bank for Reconstruction and Development, *Georgia: 2000 Country Investment Profile*, p. 13.



According to a 1999 report of the Office of the United Nations High Commissioner for Refugees in Azerbaijan:

Azerbaijan continues to suffer one of the world's most complex humanitarian situations with the largest (per capita) population of uprooted people of approximately 800,000 (including IDPs, refugees and stateless persons) over a total national community of 8 million. The still prevailing weakness of the national economy hinders the revival of essential social services including health care and education. Wide unemployment and insufficient income generating opportunities in the country forestall self-reliance and uphold dependence on external assistance in IDP communities.<sup>72</sup>

The predominantly Armenian enclave of Nagorno-Karabakh was placed within Azerbaijan during the Soviet period. Ethnic tension mounted in the late 1980s, and, following the collapse of the Soviet Union, violence broke out between those in Nagorno-Karabakh (and Armenia) who wanted independence for the territory, and those who insisted it remain part of Azerbaijan. The war that followed had a tremendous humanitarian cost, ending with many dead and at least 800,000 refugees and Internally Displaced Persons living in camps and other makeshift accommodations within Azerbaijan, and both Nagorno-Karabakh itself and a number of adjacent regions under the control of the Karabakhians. Noting that most visitors to Azerbaijan remain in Baku, President Aliyev told Committee members he was "extremely glad" they had decided to drive to Georgia to see first hand the conditions in which over 7,000 refugees and Internally Displaced Persons are still living in the tent city of Barda and nearby Ganja nearly six years after the end of active conflict in Nagorno-Karabakh.

By accepting the borders of Azerbaijan at the collapse of the Soviet Union, the international community was again rejecting a demand for independence by the people in Nagorno-Karabakh. At the OSCE's Lisbon Summit in December 1996, three broad principles were proposed: territorial integrity, meaning Nagorno-Karabakh would remain within Azerbaijan; the provision for it of the highest degree of autonomy; and security guarantees for all parties.<sup>73</sup> In 1997, the leaders of Azerbaijan and Armenia (which effectively negotiates on behalf of Nagorno-Karabakh, further complicating the situation) agreed to a Minsk Group proposal for a phased approach to resolving the conflict: it was proposed that Armenian forces would first be withdrawn from areas outside Nagorno-Karabakh, and the refugees returned, following which decisions would be made on the status of the territory. Armenian President Levon Ter-Petrosian was unable to convince his country — and the leadership of Nagorno-Karabakh — to accept this

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<sup>72</sup> UNHCR Azerbaijan – *Country Report* (Reporting Period: 1 January to 31 December 1999), p. 1.

<sup>73</sup> See Edward Walker, "No War, No Peace in the Caucasus," in Gary K. Bertsch et. al, *Crossroads and Conflict: Security and Foreign Policy in the Caucasus and Central Asia*, London, Routledge, 2000, p. 174-175.

agreement, however, and was forced to resign in consequence. He was replaced by Robert Kocharian, a former leader of Nagorno-Karabakh.<sup>74</sup>

An increasing number of meetings and improved dialogue between Azerbaijani and Armenian Presidents Aliyev and Kocharian in recent years — most recently in Key West, Florida, in April 2001 — have convinced many that the outline of an agreement on Nagorno-Karabakh is probably known; however, the political difficulty of implementing such a deal has probably prevented its conclusion. Meetings between Committee members and Presidents Aliyev and Kocharian did not dispel this suggestion. But even if the outlines of a deal are known, the context must still be set. President Aliyev, correctly argued that, even without a solution to the conflict, the economy of Azerbaijan would eventually improve as a result of oil revenues, while that of Armenia would worsen. At the same time he is also attempting to encourage Armenia to compromise by suggesting that an agreement would lead to a significant increase in regional economic and other cooperation.

Most of Azerbaijan's economic prospects are based on development in the oil sector. According to the EBRD, total planned investment by international oil companies in the energy sector is estimated at some \$ 40 billion U.S., and increased oil prices over the past year have proven a windfall for that country. President Aliyev has also deliberately involved many players in all aspects of oil development and pipeline construction. These projects are important, of course; however, such reliance on a single resource can bring its own problems, including lack of progress in other sectors resulting from a false sense of security and a possible increase in disparities resulting from narrow ownership and corruption. Azerbaijan has also taken somewhat less steps than either Georgia or Armenia to combat corruption.

Government interlocutors in Azerbaijan repeatedly stressed their desire for increased Canadian commercial and other presence there. Even if that country is not comparable to Saudi Arabia in terms of oil, the potential for Canadian firms in this and other sectors is real. Speaking on behalf of AEC International of Calgary, the largest Canadian oil company active in Azerbaijan, Dr. Rob Sobhani argued strongly that increased Canadian engagement — including through official visits to Canada by heads of state — would help increase Canada's share of this important market. Whether or not official visits are justified as a result of a strengthened Canadian policy on these regions remains to be seen, yet an increased attention to the South Caucasus would certainly assist Canadian firms interested in pursuing opportunities in the Caspian region.

Once again, an agreement on Nagorno-Karabakh that involved guaranteeing minority rights would have to rely on strong democratic principles and practices. In this

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<sup>74</sup> See Edmund Herzig, *The New Caucasus: Armenia, Azerbaijan and Georgia*, London, the Royal Institute of International Affairs, 1999, p. 69-71.

respect, as its record shows, Azerbaijan has much work to do. Opposition parties and an active civil society do exist, but, given the power of its president, Azerbaijan is often referred to as a "Presidential Republic." Opposition groups threatened to boycott fall 2000 parliamentary elections, and in the end, according to the Canadian Department of Foreign Affairs and International Trade, the election "demonstrated the gap between international expectations and local practices."<sup>75</sup> Azerbaijan desires to increase its links with Europe as part of the Great Silk Road, and therefore will be sensitive to pressure by the Council of Europe, to which Canada must add its voice.

## **Armenia**

Despite a highly educated workforce and real potential in a number of high value-added sectors, the recent past has been very difficult in Armenia, resulting in a massive emigration: the Armenian government admits that its 1991 population of 3.7 million has been reduced by about 700,000, but many feel the real population is closer to 2 million.

It is impossible to understand current events in Armenia and the region without taking into account what the Canadian House of Commons in April 1996 called the "Armenian tragedy" of the death of some 1.5 million Armenians at the hands of Ottoman forces in 1915; however, as former Armenian Foreign Minister Raffi Hovanissian told Committee members in Yerevan, while the "genocide" of 1915 was a defining moment in Armenian history, in the last ten years the country has lost almost as many people through emigration.

### ***Conflict Resolution and Economic Cooperation***

Corruption and the lack of good governance are important challenges in Armenia, and have resulted in poverty and a crisis of confidence for its citizens. Once again, however, the dominant factor slowing Armenia's transition is the lack of conflict resolution, notwithstanding the fact that the conflict in Nagorno-Karabakh took place outside its territory. In a clear example of the need to look at these countries as parts of a single region, the conflict and continued failure to achieve an agreement on that issue has closed landlocked Armenia's borders with Azerbaijan and Turkey, thereby, among other things, preventing it from sharing in transit or other revenues from the oil resources of the Caspian. As the EBRD noted in 2000:

Regional cooperation will be key to Armenia's future development. Armenia is contributing to this process through cooperation with Greece and Iran, and is aiming to conclude a transport agreement with Georgia and Bulgaria. Over 1999, relations with Russia continued to strengthen...

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<sup>75</sup> *Evidence*, 26 April, 2001, p. 4.

Internationally, the Transcaucasian region is important for its role in the transit of oil and gas from Central Asia, although projects for transit pipelines have so far focused on neighbouring Georgia.<sup>76</sup>

Former Prime Minister Armen Darbinian, currently the head of the International Centre for Human Development, stressed the need for regional cooperation if the countries of the South Caucasus are to succeed. In Yerevan, he pointed out to Committee members that regional leaders have so far been content simply to do better than their equally poor neighbours. For example, Armenia has good relations with Georgia, which has succeeded in gaining entry to the World Trade Organization; yet Armenia does not cooperate with Georgia on trade issues.

An important element of Armenian policy has also been its continuation of close links, including military ties, with Russia. The Committee agrees with interlocutors in Yerevan who stressed Armenia's right to decide for itself the direction of its foreign and defence policies. Given the Western orientation of Georgia and Azerbaijan, however, its pro-Russian policies will probably continue to complicate Armenia's transition until all the countries of the region increase their cooperation significantly. In any case, in developing bilateral and multilateral programs, such as EU's Transport Corridor Europe-Caucasus-Asia (TRACECA) program, the international community has an obvious interest in increasing Armenia's cooperation within the region, if only to remove any incentive for it to act as a spoiler.

While handicapped by its lack of cooperation with neighbouring states, Armenia has achieved some economic success in the last several years, due to a combination of external financial assistance, government policies and investment — particularly from the worldwide Armenian Diaspora. According to the EBRD:

An advantage for Armenia is its large worldwide Diaspora of about 5 million. Many of the largest investors in Armenia are from the Diaspora, which provides support for infrastructure projects and SME development as well. The Diaspora works hard to raise the country's international profile and thus to maintain inflows of western assistance.<sup>77</sup>

In addition to the economic importance of this Diaspora, its political influence can also be important. Its close military and other ties with Russia and the influence of Armenians in Washington has put Armenia in the unique position of having the support of both the Russian military and the U.S. Congress; when questioned in Yerevan about the U.S. assistance budget for Armenia, a representative of USAID told Committee members that it gets more money than it asks for. Interlocutors in Armenia noted that Canada has

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<sup>76</sup> European Bank for Reconstruction and Development, *Armenia: 2000 Country Investment Profile*, p. 5.

<sup>77</sup> *Ibid.*, p. 4.

more joint ventures in Armenia than has the United States, but argued that a strong potential exists for Canada to increase its economic and other presence there. In this argument they are supported by the substantial and well-organized Armenian community in Canada, some 75,000 of whom live mainly in Toronto and Montreal.

Given its lack of resources and mainly closed borders, Armenia has chosen to focus on high value-added sectors such as diamond polishing and software design, where it shows good potential. Denis Leclaire of St. Mary's University suggested that the Armenian software industry, though probably not as state-of-the-art as the government thinks, is important. He noted:

...there clearly is a real understanding at a certain level. While technically they are probably as good as if not better than many parts of the world, one of the areas in which they do need help is that they have a problem in making use of the Internet for business purposes and especially for marketing. They're horrible marketers, absolutely. That's one of the areas in which we want to provide some assistance.<sup>78</sup>

### ***Good Governance***

The scale of the problems in Armenia was underlined by the October 1999 assassination in parliament of Prime Minister Vazgen Sarkisian, Speaker Karen Demirchian and six others in a crime many felt was related to the prospect of a peace settlement on Nagorno-Karabakh. The following months were politically very difficult for Armenian President Robert Kocharian; however, his success in forming a new government in mid-2000 argued positively for his potential to "sell" a peace agreement in both Armenia and Nagorno-Karabakh if and when one is concluded. The Committee does not agree with the suggestion that the ultimate decision on conflict resolution in Nagorno-Karabakh rests with Russia; however, the Government of Russia can undoubtedly have a strong influence on that of Armenia.

The day-to-day politics of Armenia are very important for resolving the conflict in Nagorno-Karabakh. The broader issue, however, is Armenian citizens' seemingly widespread lack of confidence in the legitimacy of their political system. Finance Minister Levon Barkhoudarian, a former Ambassador to Canada, agreed with the need to address corruption and implement civil service reform: as he noted, while "good governance" is a nice term, civil service reform is key. Suggesting that there has been a general failure to understand the degree to which successful transition depends on stability and the rule of law, Former Prime Minister Darbinian recommended that, in addition to specific civil service and structural reforms, more emphasis be placed on democratic development.

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<sup>78</sup> Evidence, 2 May, 2000, p. 19.

### III. DIRECTIONS FOR A STRENGTHENED CANADIAN POLICY

The Committee's hearings and the visit of Committee members to the South Caucasus have underlined the need for a strengthened Canadian policy on this important and complicated region. As noted above, such a policy must be based on a long-term perspective which supports the development of civil society by focusing on educational and other programs. The states of the South Caucasus face significant economic and governance challenges, which must be addressed by programs for encouraging democratic development and combating corruption in order to attract Canadian and other foreign investment.

#### ***Conflict Resolution and Cooperation***

The key issue in the South Caucasus, however, remains the unresolved "frozen" conflicts which have blighted the past decade and continue to prevent regional cooperation with respect to security, the economy and other issues. In addition to the recommendations contained in Part I, a strengthened Canadian policy toward this region should therefore focus on conflict resolution and peacebuilding, both through bilateral CIDA and other programs and multilateral mechanisms. The OSCE is obviously of key importance in this respect since it is concerned with both conflict resolution and democratic governance. Canada should therefore increase its support for the work of the OSCE, focusing on support for conflict resolution in Nagorno-Karabakh and elsewhere, and a more solution-oriented approach to the problem of refugees and IDPs, as well as encouragement of regional cooperation and democratic development.

#### ***A Permanent Canadian Presence***

If Canada is to increase its knowledge of and contribution to the development of a stable and prosperous South Caucasus over the long term, the centrepiece of this new policy must be the establishment of a permanent Canadian diplomatic presence in the region. Ideally Canada would benefit from such a presence in each of the three states; however, the Committee believes that in the first instance the evidence justifies the immediate establishment of one Canadian embassy in the region. The decision as to where this should be is simplified by the practical fact that it would be impossible to represent either Azerbaijan or Armenia from the territory of the other. For this reason, the Committee believes that the Government of Canada should establish a permanent embassy in Georgia which would have responsibility for Canadian relations with all three states. Canada should also be willing to consider establishing embassies in Azerbaijan and Armenia, once those countries have agreed to a peaceful resolution of the conflict over Nagorno-Karabakh.

### **Recommendation 3**

**The Committee recommends that, as a key element of a strengthened policy toward the South Caucasus, the Government of Canada place particular emphasis on strengthened support for the activities of the OSCE and on supporting the context for conflict resolution and increased foreign investment through democratic development and programs to combat corruption. In respect of Nagorno-Karabakh, the Government of Canada should exploit every opportunity in bilateral relations and multilateral institutions to assist in finding a solution to this conflict.**

**The Committee recommends that the Government of Canada establish a Canadian embassy in Georgia which would have responsibility for relations with the three states of the South Caucasus. The Government of Canada should also stand ready to consider opening embassies in Azerbaijan and Armenia as progress is made in resolving the dispute over Nagorno-Karabakh and increasing regional cooperation.**

## Advancing Canada's Relations with Central Asia

*...a new Central Asia is emerging, one that will reflect its Soviet past for decades to come but cannot return to it. Over time, this new Central Asia will be linked to the wider world, through air, land, and rail routes, as well as oil and gas pipelines. It will be linked by common cultural ties, but also divided — perhaps violently — by them. It may also be linked by the narcotics trafficker and the refugee. For some time to come, these countries will be marked by weak states, weak economies and weak civil societies. They will be seeking some form of return to the Islamic world, though its form remains murky. The outcome of these trends could well be different for each state. Russia will continue to play an important role but no longer that of the sole or dominant power. The new Central Asia will be part of a highly differentiated geopolitical space, with China, Iran, Turkey, Pakistan, and India interested and engaged.<sup>79</sup>*

It is no simple matter to determine the paths that future Canadian foreign policy should take towards this vast and volatile region along the southern tier of the former Soviet Union. As the above citation suggests, an extremely complicated set of internal and external circumstances are in play, over which western democracies may have only limited influence. In accepting the argument that there are both good reasons and opportunities for Canada to increase its presence, the Committee also emphasizes that making such an effort will require developing a realistic, well-grounded approach for the long term. Expectations of quick "fixes" or paybacks should be avoided. That much has become apparent from the Committee's public hearings and delegation study trip of May 5-17 to the three of five Central Asian countries — Kazakhstan, Uzbekistan, and Kyrgyzstan — which account for most of the very modest Canadian activity to date.<sup>80</sup>

Canada's lack of historical baggage may, as Professor Neil MacFarlane suggested, give us an advantage of flexibility in approaching this region with positive intentions and objectives. Certainly the warmth of the reception accorded to Committee members in each of the countries visited is an indication that increased Canadian interest will be welcomed. However, sustaining a credible Canadian policy towards the region will also mean committing the resources necessary for its realization, while confronting the formidable challenges facing the governments and peoples of the region.

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<sup>79</sup> Alexander Rahr, Sherman Garnett and Koji Watanabe, *The New Central Asia: In Search of Stability*, New York: Trilateral Commission Report No. 54, 2000 (forthcoming), p. 87. All further references will be to this pre-publication version of the report.

<sup>80</sup> The two countries not visited, Tajikistan and Turkmenistan, are the most unstable and most dictatorial, respectively. Contacts with Tajikistan are mainly confined to non-governmental assistance through the Aga Khan Foundation, and there are very few contacts of any kind with Turkmenistan.



The sections which follow accordingly begin by assessing current conditions, first regionally and then in terms of particular country circumstances, in order to better understand the context and policy environment for the furtherance of Canadian interests and values. That provides a basis for brief elaborations of some specific policy objectives to be pursued in the areas of: security and peacebuilding; democratic reform and human rights; economic cooperation and sustainable development; educational, cultural, and other forms of future cooperation. In this way, the Committee's recommendations will address the regional, country, and sectoral levels of policy development.

## I. CENTRAL ASIA IN TRANSITION: CONDITIONS, PROSPECTS, AND PRIORITIES FOR CANADA

### *Regional Profile in Brief*

Although the resource-rich Caspian basin links the two regions of the Committee's study, the authors of the Trilateral report were "struck by the vast differences between the states of Central Asia and those of the South Caucasus".<sup>81</sup> As in the Caucasus, however, a predominant feature of traditional clan-based Central Asian society has been an enormous local cultural diversity, all of which adds to the difficulty that Patrick Armstrong emphasized in his testimony of outsiders trying to understand the ongoing complexities of such regions from a distance. Central Asia in the western mind is perhaps best known for its fabled "Silk Road" heritage. As Shirin Akiner describes its turbulent crossroads: "Situated athwart the main north-south, east-west trans-Eurasian routes, Central Asia has throughout its history, been the point of contact, collision, and in varying degrees fusion, of peoples, languages, philosophies, technological and artistic innovations. The long chronicle of invaders includes various groups of Iranian peoples, various groups of Turks, White Huns, Greeks, Parthians, Arabs, and Mongols."<sup>82</sup>

This huge area of over 4 million square kilometers shares a storied past but has little real unity as it faces an uncertain future. Several centuries of Russian imperialism, with Tsarist followed by Soviet rule from Moscow, have left a legacy of often artificial borders and nationalities, along with the heavy burdens (as well as some achievements — high literacy rates, for example) of the record of Communist totalitarianism. Despite the Gorbachev reforms of the late 1980s, the Central Asian countries were generally completely unprepared for the dissolution of the USSR in 1991. Their level of political development at independence has been described as "not very different from that which had obtained seventy, or even a hundred, years earlier." Instead

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<sup>81</sup> Rahr et. al., *The New Central Asia*, p. 2.

<sup>82</sup> Shirin Akiner, "Social and Political Reorganization in Central Asia: Transition from Pre-Colonial to Post-Colonial Society", in Touraj Atabaki and John O'Kane, eds., *Post-Soviet Central Asia*, London: Tauris Academic Studies, 1998, p. 3.

of there being an opportunity for an indigenous movement of political pluralism and liberalization to become established:

There was no transfer of power to new leaders: on the contrary, the ruling elites, far from being discredited on account of their umbilical links to the Communist regime, gained additional legitimacy since they were regarded as symbols of continuity in a time of flux and uncertainty. ... there are clear socio-cultural parallels between the style of government of the Khans of traditional society and of the current Presidents of the Central Asian states. The terms and conditions under which the latter hold office have been defined, and in theory limited, by their respective state Constitutions. In practice, however, they enjoy powers that are tantamount to absolute.<sup>83</sup>

Ambassador Gerald Skinner confirmed the Committee's own observation of the visible persistence of a cult of personality around leaders, and of many ingrained habits held over from the Soviet period. After almost a decade of independence, during which the regimes of the three countries visited have rhetorically adopted a western-oriented discourse of democratic and market reform, there is still "no culture of compromise", as he put it. As one of the tables below shows, only one country, Kyrgyzstan, merited even a marginal "partly free" rating in Freedom House's 1999-2000 annual survey, and that country was the only one that was downgraded to "not free" in the 2000-2001 edition. While there are some signs of civil society development, it is autocratic conditions which have arguably been consolidated during the 1990s rather than an environment favouring multi-party democracy.

Ms. Ria Holcak, Director of the Canadian Human Rights Foundation's Central and Eastern Europe program, drew a troubling portrait for the Committee:

The euphoria that followed independence in the early nineties has been replaced by disillusionment, even nostalgia for the old system. There has been an increase in poverty and unemployment and a deterioration in governance and the rule of law....Attempts at transition in market economies have been painful and the adverse effects have been severest for the most vulnerable groups in society: the poor, pensioners, children, refugees, and the internally displaced. ...

General deterioration in the standard of living for the vast majority of the population has led to widespread dissatisfaction with the governments of the region. All this provides fertile ground for human rights violations.

Upon independence, the newly established republics drafted constitutions that guaranteed the protection of human rights. To demonstrate their readiness to join the international community, they also moved quickly to ratify the most important United Nations human rights treaties. All the countries have joined the OSCE and have

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<sup>83</sup> Ibid., p. 19-21.

therefore accepted certain standards. Unfortunately these commitments on paper have not matched the action.<sup>84</sup>

Across the region, recent elections have tended to receive highly critical reviews from international observers. As Professor Neil MacFarlane noted in his testimony: "The situation is so bad in Central Asia that the OSCE is refusing to send electoral observers to states such as Kazakhstan, Uzbekistan, for fear that their presence will legitimise deeply distorted electoral processes."<sup>85</sup> However, it is encouraging that at least some parliamentarians with whom Committee members met were prepared to acknowledge deficiencies, while seeking cooperation and assistance with reforms. We were also able to meet with non-governmental activists whose efforts attest to the need to keep democratic hopes alive.

Moreover, as Ms. Holcak and many others have observed, these countries have had to cope with the unprecedented economic shocks of the Soviet collapse and with massive social upheavals, circumstances which realistically would challenge even the best policy intentions. The tables below giving selected indicators by country show some disturbing patterns. Uzbekistan is the only country which has not suffered a big decline from its Soviet-era economic output, but at the price of Western criticism that it is lagging behind on crucial economic reforms. All of the countries are at the lower end of the spectrum in terms of transition performance as measured by the European Bank for Reconstruction and Development (EBRD), the region's largest source of external loans. Foreign investment flows are very unevenly distributed, with Kazakhstan and the non-renewable resource sector accounting for the largest share. Corruption, arbitrary regulations and poor public administration remain huge obstacles. While countries struggle to reorient unviable old economies to meet international market conditions, economic crime and illicit trade (notably drugs) are flourishing.

In human terms, while a few have been enriched, most people have experienced an acute fall in living standards. Socio-economic pressures are exacerbated by high rates of population growth in all countries except Kazakhstan. In that country, the problem is more the brain drain from an exodus of ethnic Russian and European, notably German-speaking, minorities. (Indeed Russia had to absorb an out migration of several million ethnic Russians from Central Asia in the first five years following independence.) All of the countries fall within the "medium human development" group of the United Nations Human Development Report annual index. All rank considerably below the Russian Federation on the HDI scale. The best performer is Kazakhstan, which is also the only Central Asian country whose rating improved from the 1999 to the 2000 Report. At the same time, many social conditions in that country have been declining, with a

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<sup>84</sup> *Evidence*, 13 April, 2000, p. 7.

<sup>85</sup> *Submission*, 2 May, 2000, p. 4.

recent UNDP report observing that "destitution in the rural areas is rapidly increasing."<sup>86</sup> It is doubtful how many will share in the benefits from rising energy prices and exploitation of the petroleum-rich Caspian basin. Generally, human development indicators have deteriorated across the region over the past decade. By some accounts, despite pockets of prosperity in a few large urban centres, a large majority of the population is living in poverty.

**Table 2**  
**Central Asian Countries — Physical and Demographic Indicators**

	Area in sq. kms (% of total)	Population 1999 est. (% of total)	Pop. Density (persons/sq. km)
Kazakhstan	2,724,900 (68%)	15,491,000 (28.9%)	5.68
Kyrgyzstan	199,900 (5%)	4,732,000 (08.8%)	23.67
Tajikistan	143,100 (3.6%)	6,188,000 (11.5%)	43.24
Turkmenistan	491,200 (12.3%)	4,993,000 (09.3%)	10.16
Uzbekistan	447,400 (11.1%)	22,231,000 (41.5%)	49.69
Total	4,006,500	53,635,000	13.39 (average)

**Source:** The New Central Asia, Trilateral Commission Task Force Report, 2000, Table I-1, p. 4.

<sup>86</sup> UNDP, *National Human Development Report Republic of Kazakhstan 1999*, Almaty, 2000, p. 6.

Table 3 Central Asian Countries — Selected Economic Performance Indicators					
	Real Output: Forecast level of GDP 2000 (1989 = 100)	GDP real growth forecast 2000	GDP per capita US\$ 1999 (1998 PPP*)	Cumulative FDI — US\$ per capita (1989-99)	EBRD 1999 Transition score**
Kazakhstan	64.7	3.46%	1,066 est. (4,378)	486.97	2.79
Kyrgyzstan	63.9	4.50%	380 (1998) (2,317)	86.97	2.67
Tajikistan	44.8	3.70%	170 (1,041)	23.97	2.04
Turkmenistan	74.8	16.00%	550 (1998) (2,550)	166.83	1.96
Uzbekistan	95.3	4.10%	950 (1998) (2,053)	32.28	1.42

**Sources:** European Bank for Reconstruction and Development, *Transition Report 1999*, "2000 Country Investment Profiles", and "Commentary on Central Asia" presented to the Committee by John Kur in Almaty, Kazakhstan, May 2000; United Nations Development Program, *Human Development Report 2000*, Human Development Index tables; UNICEF, *The Progress of Nations 2000*, statistical tables.

\* PPP stands for "purchasing power parity". These data in the UNDP Report are provided by the World Bank and attempt to give a measure of real domestic buying power equivalents in US\$ terms discounting for international exchange rate effects.

\*\* The EBRD transition index measures overall country progress on reforms with scores rated on a scale ranging from 1 — little or no progress — to 4+ — well-functioning market economy. The average for Central Asia is only 2.17, which compares to 3.39 for post-Communist Central Europe.

**Table 4**  
**Selected Social and Political Development Indicators**

	2000 HDI index (ranking)	1999 Corruption Index score*	% of firms bribing frequently	Freedom House status	Ranking** on Political / Civil Rights
Kazakhstan	.754 (73)	2.3	23.7	Not free	6/5
Kyrgyzstan	.706 (98)	2.2	26.9	Partly free	5/5
Tajikistan	.663 (110)	n/a	n/a	Not free	6/6
Turkmenistan	704 (100)	n/a	n/a	Not free	7/7
Uzbekistan	.686 (106)	1.8	46.6	Not free	7/6

**Sources:** UNDP, Human Development Report 2000; Transparency International 1999 "Corruption Perceptions Index"; EBRD, "Commentary on Central Asia", May 2000; Freedom House, Freedom in the World 1999-2000 Survey.

\* The corruption perceptions index score is based on a scale ranging from 1 — highly corrupt — to 10 — highly clean. (Canada's score in 1999 was 9.2; Russia's 2.4.)

\*\* The Freedom House rankings for political rights and civil liberties are based on a scale ranging from 1 — most free — to 7 — least free.

### ***Regional Prospects***

The immense resource potential and extraordinarily rich cultural heritage of Central Asia is certainly promising in the long term. But in the near term, the condition of overall "human security" across the region is worrying and deserves multilateral attention. Central Asia's newly-independent countries<sup>87</sup> are still coping with the fallout from Soviet military-industrial dependence as they search for new relationships among themselves, with their neighbours, and with the West. Jean Radvanyi observes that "the reassertion of identities in the aftermath of independence has rekindled nationalist fervour in each of these nascent states."<sup>88</sup> At the same time, it is evident that many of the challenges they face call for integrated regional approaches — to economic adjustment and infrastructure development, resource management issues (of critical fresh water supplies in addition to energy), environmental rehabilitation (dealing, for example, with the shrinkage of the heavily-polluted Aral sea), nuclear non-proliferation, counter-terrorism, among just some

<sup>87</sup> The Central Asian Soviet republics made declarations of sovereignty during 1989-90 and declared full independence in the following sequence: Kyrgyzstan and Uzbekistan on 13 August, 1991; Tajikistan on 9 September, 1991; Turkmenistan on 27 October, 1991; Kazakhstan on December 16, 1991.

<sup>88</sup> Radvanyi, "Preface" to Gianpolo Capisani, *The Handbook of Central Asia: A Comprehensive Survey of the New Republics*, London: I.B. Tauris & Co., 2000, p. viii.

of the concerns raised repeatedly with Committee members. The rhetoric of summits and various cooperation agreements aside, there is a great deal still to be done in this area.

Caution must also be advised in regard to how countries are managing a cauldron of ethno-cultural and religious cleavages. With regard to the latter, we frequently heard about the need to counteract the threat posed by militant Islamic fundamentalist movements (such as so-called "Wahhabism"), pointing to terrorist incidents and recent armed incursions into southern Uzbekistan and Kyrgyzstan. There are real security concerns, of course, with Tajikistan having experienced civil war and the densely-populated Fergana valley remaining a focus of tensions among the three countries.<sup>89</sup> One analyst concluded several years ago that: "The maintenance of order and stability will, for the foreseeable future, require measures that are not conducive to the fostering of Western-style political systems."<sup>90</sup> However, many observers are now seeing the authorities increasingly using nationalism and national security as a dubious strategy to quell rising popular discontent and as a convenient broad pretext to crack down on political dissent. Human rights defenders are particularly concerned about mass arrests and the suppression of civil liberties and independent media. So a nuanced and critical judgement must be brought to bear on these regional security issues if "stability" is to be obtained through supporting the development of peaceful and pluralistic democratic societies rather than justifying or excusing further resorts to autocratic repression.<sup>91</sup>

An overriding concern is what comes next, since as the Trilateral report authors observe: "An additional source of instability is the fact that these regimes are over-personalized. They will in fact be sorely tested as the great leaders pass from the scene and the succession struggle emerges."<sup>92</sup> A very pessimistic assessment by Boris Rumer of Harvard University, editor of *Central Asia 2000: Critical Problems, Critical Choices*, foresees serious conflicts ahead:

At the end of the 1990s, two distinct tendencies have emerged as the predominant features of contemporary Central Asia: degradation in the social and economic spheres and growing tensions among states in the region. The source of both problems is a profound economic crisis that the governing regimes cannot even contain, much less resolve. The resulting instability threatens to unleash a massive social explosion — all the more likely amidst the increasing importance of the Islamic

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<sup>89</sup> For details see "The Fergana Valley: A magnet for conflict in Central Asia", *Strategic Comments*, 6:6, International Institute for Strategic Studies, July 2000, p. 1-2.

<sup>90</sup> *Ibid.*, p. 27.

<sup>91</sup> For further analysis see the series of articles in "The New Heartland: Central Asia at the Crossroads", *Harvard International Review*, Winter/Spring 2000, especially Boris Rumer, "In Search of Stability: Economic Crisis and Political Unity", Martha Olcott, "National Consolidation: Ethnic, Regional and Historical Challenges", John Schoeberlein, "Between Two Worlds: Obstacles to Development and Prosperity", Shirin Akiner, "Religion's Gap: Islam and Central Asia in the 1990s".

<sup>92</sup> *The New Central Asia*, p. 8.

factor — and also to trigger inter-state conflicts that could result in a general “Balkanization” of this vast region in central Eurasia.<sup>93</sup>

Committee members who travelled to the region came away with a much less negative impression than this exaggerated spectre of a “Eurasian Balkans” on the horizon. Nonetheless, we acknowledge that there is a risk of things going badly wrong, with significant consequences for wider security, and that therefore it is in the interests of the international community to watch developments closely. In that regard, Canada also needs to be in a position to make its own informed strategic assessments of the situation as it evolves. We are inclined to agree with the Trilateral report that: “though there is the chance of Balkans-like conflicts across a broad range from eastern Turkey into Mongolia, it will be crucial to understand the root causes of these conflicts. While common threads of state weakness, ethnic divisions and economic failure do exist, there are specific regional, country and even local ingredients that must be understood. ... an appreciation of these unique factors is more likely to emerge from an examination of the new Central Asia.”<sup>94</sup>

The key foreign policy question is: How can other countries help an emerging forward-looking Central Asia to escape from the long shadows of an oppressive past and to avoid the worst-case scenarios which have been suggested? The role of the larger powers appears to have been an ambiguous blessing to date. The most important country in that regard remains, of course, the Russian Federation. The path which it takes could be critically important to the region’s future. As Professor MacFarlane told the Committee: “the reactivation of Russian diplomacy ... which is evident as we speak, raise a number of potentially disturbing questions about the future direction of the only great power, that is to say Russia, in a position to dominate the Caspian basin...”<sup>95</sup>

In the period following the disintegration of the USSR, the Central Asian states opted to join the Commonwealth of Independent States (CIS), whose founding documents were signed in Almaty, Kazakhstan in December 1991. There was a sense that what had been an isolated periphery of the Soviet empire could now begin to make its own way on the international stage.<sup>96</sup> Post-independence realities have been less kind to those ambitions, however. The CIS has not proved very effective and progress on regional integration has also been painfully slow. The trend has been for Central Asian countries to gravitate back towards renewed relationships and alliances with Moscow.

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<sup>93</sup> Rumer, “In Search of Stability”, *op.cit.*, p. 44.

<sup>94</sup> *The New Central Asia*, p. 2.

<sup>95</sup> *Evidence*, 2 May, 2000, p. 13.

<sup>96</sup> See Tatiana Shaumian, “Foreign Policy Perspectives of the Central Asian States”, *Post-Soviet Central Asia*, p. 62-72.



It is true that in meetings with Committee members, government officials stressed instead their efforts to join international organizations and their desire for stronger relations with western nations. The Trilateral study also observes a "decline of Russian military presence and influence in the region."<sup>97</sup> Nonetheless, testimony from other witnesses as well as the evidence of President Putin's first 15 months in office suggest that a reassertion of muscular Russian diplomacy is being well received by the region's leaders. Russia's economic interests have been boosted by recent announcements of major oil and gas discoveries in the Russian and Kazakh sectors of the north Caspian, with Russian companies very much involved in the various pipeline options under consideration.<sup>98</sup>

China is seen by some as emerging to vie with Russia and the U.S. in future energy developments. The Canadian position is that commercial considerations should predominate in matters such as determining pipeline routes; however, strategic geopolitical concerns are clearly a factor, with one analyst arguing that "it is the political decisions that will be made in many capitals regarding energy, not the economic forces acting on energy firms, that will decide the issue."<sup>99</sup> China is also a key player with Russia in a Central Asian regional security and cooperation bloc which may be emerging under the auspices of the newly-named "Shanghai Forum". Its July 5, 2000 summit, attended by President Putin, approved the formation of a regional anti-terrorist centre and issued a joint declaration condemning interference in the domestic affairs of other countries "including under the pretext of humanitarian intervention and protection of human rights."<sup>100</sup>

In that context, it is interesting to observe the mixed messages from U.S. Secretary of State Madeleine Albright's first official visit to Kazakhstan, Kyrgyzstan, and Uzbekistan, which took place only a few weeks before that of the Committee's delegation in May 2000. While pressing their governments on the issues of democratic reform and human rights, she also announced US\$ 3 million in military assistance to each country. (Although she described her trip as "pro-democracy, not anti-Russian", it elicited a prompt response from President Putin who promised to appoint a special representative for Central

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<sup>97</sup> *The New Central Asia*, p. 11.

<sup>98</sup> See the detailed survey of contending pipeline options, energy forecasts, and strategic interests by John McCarthy, "Central Asia Focus: The Geopolitics of Caspian Oil", *Jane's Intelligence Review*, July 2000, p. 20-25.

<sup>99</sup> Stephen Blank, "Every shark east of Suez: great power interests, policies and tactics in the Transcaspian energy wars", *Central Asian Survey*, 18:2, 1999, p. 179.

<sup>100</sup> Marat Mamadshoyev, "The Shanghai G-5 Becomes the Shanghai Forum", posted 7 July, 2000 on EurasiaNet at <http://www.eurasianet.org>. Along with Russia and China, the members of the group created in 1996, primarily to discuss security and border concerns, include Kazakhstan, Kyrgyzstan, and Tajikistan. Uzbekistan's President Karimov attended the summit on July 5 as an observer, and in May 2001 announced that Uzbekistan would join the Forum.

Asia.<sup>101</sup>) Along with commercial and strategic interests in Caspian energy development, the U.S. has numerous programs and a large diplomatic presence in Central Asia.<sup>102</sup> U.S. agencies have spent hundreds of millions of dollars on democracy and civil-society assistance to transition countries during the past decade. However, there are many questions as to its effectiveness.<sup>103</sup> Experts who testified before a Congressional hearing on April 12, 2000, just prior to Mrs. Albright's visit to Central Asia, generally agreed that the results have been disappointing, and that the political and civil rights situation is getting worse not better.

Other major aid donors are Japan and the European Union. Although Central Asia has a low profile in Europe, the EU has undertaken major projects in Central Asia, notably through its technical assistance program for the CIS countries (TACIS) and the TRACECA (Transport Corridor Europe Caucasus Central Asia) program. In addition, in the summer of 1999, "Partnership and Cooperation Agreements" entered into force between the EU and Kazakhstan, Uzbekistan, and Kyrgyzstan, specifying optimistically that "respect for democracy, principles of international law and human rights as well as principles of market economy underpin the internal and external policies of the Parties and constitute a constant element of partnership".<sup>104</sup>

While Iran and Turkey are middle-level powers with ambitions to influence in the region, it is apparent that both have rather limited capabilities in that regard. Moreover, Iran is seen as largely oriented towards Russian interests, whereas NATO member Turkey—which has now also been accepted as a potential candidate for EU membership—is seen as aligned with US and European interests.<sup>105</sup>

Historical rivalries do not mean the stage is set for the revival of a 19th century "great game" competition for spheres of influence and the region's riches. Increased international cooperation is supported by all of the players. But what seems to be lacking is an overall coherent multilateral approach towards the region. The Trilateral study wonders whether something along the lines of the "Stability Pact" in place for Southeastern European and proposed for the Caucasus might be contemplated for Central Asia. There has been a multiplication of plans and suggestions which "often overlap in ways that waste a lot of political energy and scarce financial resources.

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<sup>101</sup> Jim Hoagland, "A Shift Toward Patient Realism in Washington", *International Herald Tribune*, 5 May, 2000. See also "Central Asia and America: Wooed but not wowed", *The Economist*, 22 April, 2000, p. 38.

<sup>102</sup> Ariel Cohen, "Paving the Silk Road: US Interests in Central Asia and the Caucasus", *Harvard International Review*, Winter/Spring 2000, p. 70-74.

<sup>103</sup> See the excellent critical assessment by Thomas Carothers, *Aiding Democracy Abroad: The Learning Curve*, Washington D.C.: Carnegie Endowment for International Peace, 1999.

<sup>104</sup> *The New Central Asia*, p. 71.

<sup>105</sup> Cf. Tchangiz Pahlevan, "Iran and Central Asia", and Gareth Winrow, "Turkish Policy in Central Asia", in *Post-Soviet Central Asia*, p. 73-108.

*Coordination mechanisms between various institutions involved in Central Asian issues need to be created.*<sup>106</sup>

A second explanation for the underwhelming record to date is that identified to the Committee by Professor MacFarlane as the "internally inconsistent" nature of the Western agenda:

I think it is fair to say that, although we have not been willing to articulate clearly a set of priorities regarding the liberal-democratic agenda, the locals have concluded that we care more about stability and economic opening than we do about rights and democracy. They have defined their own approaches to reform accordingly. ... Western states have not been willing to put their money where their mouth is on the political and human rights sides and no external player has established effective political conditionality.<sup>107</sup>

Where do Canada's future interests and values fit into this complicated and cautionary picture?

### **Canadian Presence and Priorities**

To date Canada's role in the region has been very low profile. The only reference to Canada in the Trilateral study, for example, is actually to our special responsibility for Ukraine within the G-7 context.<sup>108</sup> And indeed, relations with Ukraine are normally a more important concern for the Ottawa-based DFAIT officer who also covers the five Central Asian countries and who travelled with the Committee delegation. In the field, coverage is almost as thin. As described by then DFAIT Director General Jim Wright:

Canada maintains only one embassy in the region, in Almaty, Kazakhstan. Accredited to the Kyrgyz Republic and Tajikistan, this small mission manned by two Canada-based officers was established initially as a trade post. This has evolved into a full service embassy, and this evolution will continue this summer when CIDA assign a Canada-based officer who will be responsible for the growing technical assistance program in Kazakhstan, Tajikistan and the Kyrgyz Republic.<sup>109</sup>

Two countries, Uzbekistan and Turkmenistan are covered from outside the region, from our embassies in Russia and Turkey respectively. Canada's diplomatic representation is miniscule compared to other G-7 countries (see Table 4). That obviously

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<sup>106</sup> *The New Central Asia*, p. 85 (emphasis in original).

<sup>107</sup> *Submission*, 2 May, 2000, p. 5.

<sup>108</sup> *The New Central Asia*, p. 92. The reference is given as an example of how, in a coordinated fashion, individual Western states might develop similar "special partnerships" with particular Central Asian states.

<sup>109</sup> *Evidence*, 4 April, 2000, p. 8.

limits what Canada can do, no matter how excellent the work of our foreign service officers. Trade flows remain relatively tiny, with Canada in a deficit position of just over \$18 million in 2000 (see Table 6), and investments have been heavily concentrated in a few non-renewable energy and mineral resources sectors (principally hydrocarbons, gold, and uranium). Canada's modest aid program of a few million dollars annually (Table 6), as explained by CIDA's Director for the region, Stephen Wallace, must necessarily be very selective. Beyond a scattering of individual projects, CIDA still has to develop a regional policy framework that can support a broader level of programming. At the same time, Committee members were impressed by the Canada Fund micro-projects we visited, demonstrating how even a small expenditure, if well chosen and targeted, can have a large local impact and visibility.

	Canada	U.S.	UK	France	Germany	Japan
Kazakhstan	2	67	6	17	29	13
Kyrgyzstan	0	22	0	0	11	0
Tajikistan	0	0	0	0	6	0
Turkmenistan	0	12	5	4	6	0
Uzbekistan	0	31	5	17	26	12
Totals	2	132	16	38	78	25

Source: *The New Central Asia*, Trilateral Commission Task Force Report, Table IV-1, p. 67.

	<b>Bilateral Merchandise trade 2000 (thousands C\$) Exports to/imports from (two-way total)</b>	<b>Bilateral assistance 2000-2001 C\$</b>
Kazakhstan	23,672/28,080 (51,752)	1,221,875
Kyrgyzstan	1,746/194 (1,940)	974,718
Tajikistan	336/240 (576)	603,769
Turkmenistan	804/277 (1,081)	62,187
Uzbekistan	2,053/18,059 (20,112)	216,215
Totals	28,611/46,850 (75,461)	3,078,764

Sources: Statistics Canada; Canadian International Development Agency.

Notwithstanding Canada's minimal ties to date in the region, and the risks and reservations which can be associated with any increased involvement, private-sector and NGO witnesses were in agreement on the merits of proceeding with a substantial expansion of the Canadian presence. As Len Homeniuk, President of Cameco Gold, put it forcefully:

There is no doubt that Central Asia, a region in close proximity to the People's Republic of China, Russia, the Caucasus, and several of the Islamic countries, is currently of concern to western nations from a geopolitical point of view and will become more so in the future.... Therefore a more visible role for Canada in Central Asia in our view is warranted, both in the private and in the public sector. ... participation of Canadian companies in the development of the economy of Central Asia eventually results in substantial financial benefits back home.... However, significant business participation in the region is difficult without the support of a strong Canadian government presence. One of the areas in which current and potential business investors would benefit from strong Canadian government representation in the region is in assessing and understanding the political institutions. Although every substantial investor does its own due diligence and draws its own conclusions, a well-thought out political analysis conducted by experts is invaluable.<sup>110</sup>

In the field of supporting human rights and democratic development, furthering Canada's role will also require additional foreign policy resources. The region's most populous country, Uzbekistan, is still covered from Moscow. As Ria Holcak of the Canadian Human Rights Foundation told the Committee:

... I was very sad to find out, when I first started to go to the region, that Canadian diplomatic representation in the region is so small. There is a small embassy in Almaty that services four countries. There is no officer who is designated to work on human rights. They are very short-staffed. If we don't have even a representation in the country, how can we have a pretty good foot in the door or on the ground? ... Many times it's very difficult to make out about different stories we hear if they are rumours, or [finding out] who is who. There is a lack of transparency many times. I think that diplomatic representation would help.<sup>111</sup>

Not surprisingly, those with whom we met in the countries themselves, both at the governmental and non-governmental level, warmly welcomed increased Canadian interest in terms of strengthened diplomatic contacts, responsible, mutually beneficial, investment and trade, and various forms of cooperation and assistance. We will be elaborating on those opportunities in more specific terms in the following sections. At this stage, what is of initial importance is to establish that Central Asia should become a more significant region of focus for Canadian foreign policy development, and to indicate generally some priority areas to be worked on.

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<sup>110</sup> Evidence, 11 April, 2000, p. 4-5.

<sup>111</sup> Evidence, 13 April, 2000, p. 14.

While a prudent assessment based on the foregoing analysis suggests that any expansion of Canadian activity should be of modest dimensions, the Committee is persuaded that Canada is under-represented, and its role therefore under-developed, in the Central Asian context. Drawing from the testimony of a number of witnesses, and Ambassador Skinner's succinct distillation from our meetings in the region, we also see the following as primary dimensions of future policy development:

- regional stability — including peace-building and human security initiatives;
- broader, long-term economic relationships — including attention to small business development, issues of environmental sustainability and corporate responsibility;
- democratic governance reforms — including support for strengthening human rights protections, the rule of law, independent media and civil-society capacities;
- human resources development — including attention to education, the role of women, cultural promotion and exchanges.

In that regard, we take to heart the advice of Professor MacFarlane that the formulation of future foreign policy ought to be a coherent reflection of Canada's interests and values taken together. As he put it so well: "We do not support democracy, the rule of law, and economic reform simply because these are values that we embrace. They are intrinsic to our interests as well."<sup>112</sup> Mr. Nazeer Ladhani, CEO of the Aga Khan Foundation of Canada made the complementary point that an integrated Canadian approach can be envisaged which matches Canadian strengths with Central Asian needs, nurturing what he referred to as "multicultural democracy". He suggested "five intervention points — namely, promoting regional cohesion, economic development, development of human resources, sectoral reform, and local culture — are the ones in which Canadians and their institutions have excelled internationally. They are also of critical value to the countries of Central Asia as they undergo the difficult process of transition."<sup>113</sup>

#### **Recommendation 4**

**Canada should reinforce its diplomatic representation in Central Asia through additional resources to the embassy in Almaty and the establishment of a mission presence in at least one other country; Uzbekistan being a likely first choice since it has over 40% of the region's population. The Government should also ensure that DFAIT and CIDA headquarters have adequate resources in place designated to monitor regional developments and capable of managing an enhanced program of Canadian activities in the region.**

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<sup>112</sup> *Submission*, 2 May, 2000, p. 3.

<sup>113</sup> *Evidence*, 4 May, 2000, p. 17.

### **Recommendation 5**

**Canada should concentrate future policy and program development in strengthening relations with Central Asia in the following priority areas:**

- **regional stability and peacebuilding;**
- **broader long-term economic relationships and sustainable development;**
- **democratic governance reforms, human rights and support to civil society;**
- **human resources, education, and culture.**

## **II. COUNTRY CIRCUMSTANCES AND CANADIAN INTERESTS**

The focus of this section is on the three countries visited by Committee members in May. However, the remaining two merit a brief comment. Turkmenistan was described as "totalitarian" by Cameco Gold president Len Homeniuk. Although it is a resource-rich state bordering the Caspian Sea, there are minimal prospects for furthering Canadian contacts until the political situation improves. The EBRD and OSCE have been endeavouring to engage Turkmenistan in dialogue on political reform, though without much success to date. We believe that in cases where there is no demonstrable commitment to reform on the part of the government, political conditionality should be firmly applied at the bilateral and multilateral levels.

Tajikistan has been the most unstable state since independence and has probably suffered most from the post-Soviet breakup. It is at the bottom of the pack in terms of real economic output performance, per capita income and human development ranking. At the same time, the Committee is impressed by what the Aga Khan Foundation has been able to accomplish in the country in recent years. In Almaty, Mr. Hakim Feerasta briefed Committee members on the work of the Aga Khan Development Network in such worthwhile areas as agriculture and food security, community development, micro-credit, power generation, human resources training, and creation of a Central Asian university. He noted Tajikistan's progress in being able to produce 90% of its food requirements, up from only 15% in the early years of independence. Further details are given in the testimony of Mr. Nazeer Ladhani, CEO of the Aga Khan Foundation of Canada (*Evidence*, 4 May, 2000). CIDA is the fifth largest donor to the Aga Khan Network, contributing some \$3 million of technical assistance towards its regional program over a three year period. In light of the worthwhile results being achieved, this NGO-led effort merits continued Canadian support.

### **Recommendation 6**

**Canada should support the firm application of political reform conditionality in bilateral and multilateral relations with Central Asian**

countries, notably in the case of Turkmenistan. Development of any further contacts with that country should await evidence of substantial improvement in the political situation.

#### Recommendation 7

Canada should continue to give strong support to the work of the Aga Khan Development Network, notably its projects in Tajikistan. The Government should watch developments in that country with a view to further possibilities for collaboration with non-governmental organizations such as the Aga Kkan Foundation.

#### *Kazakhstan*

The EBRD's *2000 Country Investment Profile* claims optimistically that: "Kazakhstan is making progress towards economic consolidation and improvement more rapidly than the other Central Asian republics."<sup>114</sup> The country has received the lion's share of foreign direct investment in Central Asia over the past decade. Currently it is also benefiting from high oil prices and recent discoveries could turn it into a major world energy exporter.<sup>115</sup> Canada has a significant stake in this, notably through the firm Hurricane Hydrocarbons, the largest Canadian private investment in the country to date, operating in the Kumkol field. Hurricane has recently entered into an association with the country's largest ShNOS oil refinery, which is also dealing with the China National United Petroleum Corporation as Kazakhstan seeks to diversify its oil export routes.<sup>116</sup>

Kazakhstan has the most extensive bilateral relationship with Canada, as indicated by the location of our sole embassy in the region in the former capital and largest city of Almaty near the borders with Kyrgyzstan and China. Much of the focus of attention has

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<sup>114</sup> European Bank for Reconstruction and Development, *Kazakhstan 2000 Country Investment Profile*, prepared for the Business Forum held on the occasion of the EBRD annual meeting, Riga, May 2000, p. 4. Committee members were given advance copies of the reports on Kazakhstan and Kyrgyzstan and briefed on their contents in Almaty by John Kur of the Canadian Director's office and Michael Davey, director for the two countries. These profiles tend to be primarily business-oriented and rather promotional in tone, since they are drafted by the EBRD's Country Promotion Programme teams with assistance from officials in the countries. Unfortunately in that regard, they tend to overlook several aspects of the EBRD's founding principles, which incorporate both environmental sustainability (all projects must pass a due diligence test) and an Article 1 conditionality that countries receiving assistance must be "committed to and applying the principles of multiparty democracy, pluralism, and market economics." The current *Country Investment Profiles* for Central Asia are largely silent on issues of environmental progress and political reform.

<sup>115</sup> In 2000, the Offshore Kazakhstan International Operating Company made up of a consortium of multinational oil companies was reported to be ready to announce a new oil field containing reserves conservatively estimated at 50 billion barrels and perhaps as much as 200 billion barrels. ("Caspian oil patch may yield 50B barrels", *The Ottawa Citizen*, 9 July, 2000.) See also the testimony of Dr. Robert Cutler (*Evidence*, 2 May, 2000) on the potential of the north Caspian as exceeding expectations.

<sup>116</sup> "New Kazak Oil Route Sets Stage for Battle over Central Asia", commentary, 23 June, 2000 posted on [www.stratfor.com](http://www.stratfor.com)



been commercial. In the Committee's Ottawa hearings, and in meetings with officials of Hurricane and other members of the Canadian business community in Almaty, where a business roundtable meets monthly, a number of difficulties in the investment climate were observed — arbitrary regulations, punitive tax regimes, pervasive corruption being among those often mentioned. However, there was also indication of a long-term commitment and interest in continuing to develop economic partnerships. Relationships with Saskatchewan and Alberta have been particularly active in the agricultural, mining, energy, and human resources area. In regard to the latter, Committee members were present for the opening of the Almaty main office of the Caspian Training Centre, a project of the Southern Alberta Institute of Technology to establish a training facility for Kazakhstan's energy industries.

There are both positives and negatives in the circumstances and prospects for advancing bilateral relations. Ambassador Bolat Nurgaliyev told the Committee in Ottawa that "in just over eight years we have set the framework for a stable, pluralistic, and modern society. Undoubtedly our new nation is a work in progress, but measured against any objective historical standard, the pace of our development and the breadth and depth of our transformation has been truly extraordinary. This is especially true if you consider the extreme disabilities we inherited and the severe constraints under which we act."<sup>117</sup> In contrast to that, a former Prime Minister, Akezhan Kazhegeldin, has written bitterly that:

Currently, the country is in a state of catastrophic economic crisis. ... From 1993 to 1997 Kazakhstan was able to attract hundreds of Western, primarily US, companies. Their investments totalled US\$ 9 billion. ... However, during this period Kazakhstan failed to achieve its most important goal: creating a firm foundation for democracy. As a liberalized economy formed, an authoritarian and anti-democratic regime was emerging in Kazakhstan. ... Economic development has suffered as well; foreign investors frequently find themselves in conflict with local administrations and always lose in the end. ... The West must not let dictators stay in power.<sup>118</sup>

The Committee's assessment of conditions is neither so sanguine nor so bleak. Clearly there are some critical problems to be addressed. Even companies which have had considerable success in their operations — Hurricane, Cameco, and SNC Lavalin being among those who testified — freely recounted the obstacles and frustrations they encounter. Paul Carroll, President and CEO of World Wide Minerals, raised the case of major losses which the company claims it has suffered on its investments, with a case against the Kazakhstan government still before the courts. He contended this unfortunate situation was not unique and that: "It seems there is an open invitation to come to the country and spend money, and once you've spent the initial money, then it's tough luck

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<sup>117</sup> *Evidence*, 4 May, 2000, p. 27.

<sup>118</sup> "Shattered Image: Misconceptions of Democracy and Capitalism in Kazakhstan", *Harvard International Review*, Winter/Spring 2000, p. 76-79.

for you."<sup>119</sup> In a follow-up letter to the Committee Chair, he advised that: "To date, there has been no improvement in Kazakhstan's treatment of foreign investors.... Canada should join with other like-minded nations and attach effective conditions to economic and social assistance to the countries of Central Asia, and particularly Kazakhstan."<sup>120</sup>

Another case raised during the Committee's study involved 35 new automobiles exported to Kazakhstan in 1994 by Canadian investors. These vehicles were essentially stolen in Kazakhstan, and later vandalized while in police custody. While the Canadian investors were eventually successful in obtaining a substantial judgement in their favour, they have not been able to enforce it. When asked about this case by Committee members in May 2000, Kazakhstan's ambassador to Canada replied that:

The case ... is a combination of several factors. One is poor judgment in setting up a business transaction with an unreliable partner ...

The second set of factors that I, as the representative of Government of Kazakhstan, will acknowledge is that the court system in this case was not performing up to the expected standard. The case was reviewed for too long by too many judges, and each was dragging his feet. That's why, since 1994 until 2000, there was a lack of clear-cut judgment ...

I know this case is being now started at the inter-agency level, with the involvement of the ministry of justice, and the solution will be found based on the existing legislation in Kazakhstan; that is, if a citizen or a commercial entity suffers material injury due to inaction of the government agency — and in this case it was the Kazakh police authorities whose custody these cars were under — then the government has to pay from the state budget. And I anticipate that this will be the outcome.

As for the judges who were guilty of not performing their duties, four of them were disciplined.<sup>121</sup>

While the Committee welcomed this information from the Ambassador — including his condemnation of the speed of the justice system — as of May 2001 this case had still not been satisfactorily resolved.

Mr. Carroll's comment noted above suggests to us, not that Canada should pull back, in which case it would give up any opportunity for leverage, but rather that Canadian involvement, including in the commercial area, needs to carry with it a strong sense of Canadian values and of raising the bar in terms of standards of conduct. That means of course that Canadian enterprises must set an example in adhering to high standards of corporate governance, environmental and social responsibility in their

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<sup>119</sup> *Evidence*, 11 April, 2000, p. 3.

<sup>120</sup> Paul Carroll, letter of April 19, 2000 to Bill Graham M.P., p. 2.

<sup>121</sup> *Evidence*, 4 May, 2000, p. 35.

operations, and in being as transparent as possible in their dealings with the public. The Committee takes note of the particular concerns which were raised in that regard by Mining Watch Canada in its testimony and submissions, including in regard to Cameco's 60% stake in a proposed joint venture to mine one of the largest uranium deposits in the world.

This could be an area where Canadian businesses should also be encouraged to explore possibilities for increasing contacts with indigenous reform-minded NGOs. That prospect was welcomed by Sergey Zlotnikov, head of the "Interlegal" Civic Foundation and Transparency Kazakhstan, during a roundtable discussion in Almaty; indeed when asked what the most useful Canadian contribution might be, he encouraged "more Canadian companies to work here to put pressure for rule of law improvements." Canadian policy should be attentive to how economic relations can be managed in ways which spur democratic governance reforms, adhere to environmentally sustainable development principles, and promote good practices generally.

If there was one thing on which NGO spokespersons as well as government officials were agreed, though for different reasons, it was on the merits of expanding Canadian activity and exchanges both in the public and private sectors. The Committee is conscious of the fact that it is still very difficult for independent NGOs to exist in a tightly controlled environment which requires them to be officially registered and which is generally hostile to criticism of the government. Representatives of Amnesty International and the Canadian Human Rights Foundation had warned us of that. As Ms. Holcak testified:

Groups that document and monitor human rights abuses or elections face constant harassment and possible imprisonment. Surveillance by the state security service is common. For example, one of our partners in Kazakhstan reports that they are regularly asked for lists of participants in their programs by agents of the Committee for National Security, which reports directly to the president. During my trip to Almaty last November, the office of the Kazakhstan International Bureau for Human Rights was burned down. They lost all their files. The police investigation concluded that arson was the cause, but no suspects were identified and charged. Because the bureau has been an outspoken critic of the recent elections, the entire human rights community was shaken by the event.<sup>122</sup>

Local NGO resources are also very limited and therefore international assistance can make a vital contribution to their work. Rights are violated much more easily where people are not aware of their rights and where civil-society capacities are weak. In helping to strengthen those capacities, the Committee heard that it will be important to find solid local partners with which to work and to build up NGO networks.

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<sup>122</sup> Evidence, 13 April, 2000, p. 8.

One area where Kazakhstan has provided some positive leadership is in nuclear non-proliferation and conflict resolution issues. Kazakhstan inherited an extensive Soviet nuclear infrastructure (including over 1,400 strategic warheads which were withdrawn to Russian territory), but has renounced the nuclear option, closed the fast-breeder reactor at Aktau, destroyed what was the world's largest nuclear test site at Semipalatinsk, and promoted the idea of a Central Asian nuclear weapons-free zone. Committee members probed these issues in Almaty with Margarita Sevcik and Dastan Eleukenov, a former government official, from the Newly Independent States Representative Office of the Monterrey Institute of International Relations Centre for Nonproliferation Studies.<sup>123</sup> While Eleukenov maintained that Kazakhstan has rid itself of nuclear-weapons materials, he also stressed that "it is very important to enforce export controls in the region." This is reinforced by the assessment of other analysts that "there are still safety leaks in the region's nuclear facilities, despite ample efforts to safeguard the sites and the implementation of national export controls in Kazakhstan and other Central Asian states."<sup>124</sup>

In broader security terms, Kazakhstan has been in the forefront of regional cooperation initiatives, both at the governmental and non-governmental level. A very interesting NGO project which the Committee learned of in Almaty through the Centre for Conflict Management, is the formation of a Central Asian Conflict Management Network to develop peace-building capacities, including working with children and utilizing local traditions. This Centre has also worked with the Canadian Human Rights Foundation on a human rights education program for schools. These are some concrete examples of activities that are possible which support the goals of peaceful transition. We see educational and training components as being a key aspect of a long-term Canadian investment strategy which accompanies Kazakh society in the difficult transition process.

The Committee appreciates that Kazakhstan still has a long way to go in terms of achieving a democratic political and legal culture. We hope that our meetings with key actors have underlined Canada's interest in the reform process and in the development of effective parliamentary and market-economy institutions. We are concerned about a number of developments since our visit, in particular the passage of a law on June 27, 2000 granting President Nazarbayev certain lifelong powers and privileges. This has coincided with news of an international investigation into alleged money transfers from foreign oil companies to Kazakh officials including the president and his family.<sup>125</sup> The

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<sup>123</sup> In addition to the details in the Central Asia trip report, see also Eleukenov, "Perspectives on Security in Kazakhstan", in Gary Bertsch et al., eds., *Crossroads and Conflict: Security and Foreign Policy in the Caucasus and Central Asia*, New York: Routledge, 2000, p. 240-55.

<sup>124</sup> Burkhard Conrad, "Regional (non-) Proliferation: The Case of Central Asia", Report prepared for the NGO Committee on Disarmament, New York, April-May 2000, p. 4 of Internet copy at <http://www.ppc.pims.org>

<sup>125</sup> Bea Hogan, "How will Nazarbayev wield his new presidential powers?", article posted 12 July, 2000 on EurasiaNet at <http://eurasianet.org>

Committee wishes to emphasize again that support for increasing official contacts with Kazakhstan will be tied to demonstrable progress on reform.

Despite the many reasons to be critical of the current autocratic regime, as consultant Askar Duzenov pointed out, there are also strong affinities between Kazakhstan and Canada. There is a substantial basis for deepening relations; and the Committee's meetings with the Kazakhstan authorities attest to their desire to do so. Occasions such as a possible visit of President's Nazarbayev's to Canada, and second visit to Saskatchewan, should be seen in that context as opportunities to pursue frank political dialogue at a high-level. In the longer term, Canada's approach should focus on developing sustainable, responsible economic partnerships, on supporting civil-society development through collaboration with credible locally-based NGOs, and on mutual security cooperation in areas such as nuclear non-proliferation.

### **Recommendation 8**

**Canada should reciprocate Kazakhstan's desire to deepen bilateral relations while pursuing a policy agenda which firmly asserts Canadian interests and values in the following areas in particular:**

- **Improvements in the overall investment climate which are predicated on legal and public administration reforms and adherence to high standards of transparency and corporate responsibility.**
- **Investments in education and training programs in areas of Canadian strength.**
- **Support for democratic institution-building, human rights, and peace-building activities.**
- **Cooperation in nuclear non-proliferation initiatives.**

**In addition, the Committee believes that a visit to Canada by President Nazarbayev would provide a useful opportunity to advance Canadian interests and values. Any such visit, however, should be preceded by the Government of Kazakhstan taking concrete steps to resolve such high profile cases as those referred to above.**

### ***Uzbekistan***

Although Uzbekistan is the region's most populous country, and a major link in new "Silk Road" development plans, before the Committee's visit in 2000 it had attracted only minor Canadian interest, mainly a few investments in the mining sector; in March 2001, the Canadian embassy organized and led a business development mission there. The lack of currency convertability has held back the country's foreign investment potential. While its post-independence output performance has held up the best of any

Central Asian country, economic conditions have been relatively stagnant. The government has made stability a priority over reform.

Senior parliamentarians and foreign ministry officials with whom Committee members met were eager to increase ties with Canada. However, Uzbekistan's commitment to democratic and market-oriented reform remains at best questionable. There is little tolerance of political opposition and an adequate functioning legal structure is lacking. President Islam Karimov won elections in January 2000, the first for the post in eight years, with 92% of the vote. As a recent analysis characterizes the situation:

Uzbekistan is in many respects less democratic today than during the glasnost period of the late 1980s. ... On paper, Uzbekistan has some of the formal institutions of democracy. Indeed, the Constitution, official government documents and speeches by President Karimov are often steeped in the discourse of liberal democracy. The Constitution, for example, guarantees a number of civil and political rights, including freedom of the press and freedom of association. These rights are not however recognized in practice. ... Nominally, Uzbekistan has held parliamentary and presidential elections, but open and democratic multi-party elections have been prevented by restrictions on political party formation and bureaucratic impediments.<sup>126</sup>

This analysis observes that NGOs, like any "public association", must go through an extremely bureaucratic and expensive process of registration with the Ministry of Justice. Tax laws make it hard for NGOs to raise funds. There is "almost no press freedom and it is difficult to find foreign publications."<sup>127</sup> These problems were largely confirmed in discussions Committee members had in Tashkent with representatives of women's NGOs, a spokesperson for a public education centre, and an independent dissident journalist and former parliamentarian. NGOs trying to cope with the heavy social burdens on vulnerable populations get almost no support from the government. Keeping alive a critical press is a constant struggle, and the parliament has not been able as yet to provide any meaningful opposition role.

The Committee delegation also met with Mrs. Rashidova, Parliamentary Ombudsman for Human Rights, who expressed interest in learning further from Canadian experiences with such offices. Establishing national human rights bodies is a positive sign, but the Uzbekistan ombudsman office was described by Ms. Holcak of the Canadian Human Rights Foundation as "not yet living up to expectations". She added that, "in the absence of an independent judiciary, free media, and an active community of NGOs,

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<sup>126</sup> Fiona Adamson, "Building Civil Society from the Outside: An Evaluation of Democracy Assistance Strategies to Uzbekistan and Kyrgyzstan", Report prepared for the Columbia University Project on Evaluating Western NGO Strategies for Democratization and the Reduction of Ethnic Conflict in the Former Communist States, 2000, p. 3-8. This assessment is also corroborated by Liam Anderson and Michael Beck, "U.S. Political Activism in Central Asia: The Case of Kyrgyzstan and Uzbekistan", in Bertsch et.al, *Crossroads and Conflict* (2000), p. 82ff.

<sup>127</sup> *Ibid.*, p. 10.

these new institutions face an uphill battle. One suspects that the impetus for the creation of such institutions has more to do with appearances in the international community than genuine commitment to human rights at home."<sup>128</sup>

Indeed recent reports by Amnesty International and Human Rights Watch point to a grim situation, linked to religious and security issues. Just days after the Committee's visit, on May 15, 2000, Human Rights Watch sent a letter to the UN High Commissioner for Human Rights decrying the government's targeting of "persons suspected of affiliation with Islamic religious leaders, institutions and organizations unregistered by the state."

In the name of cracking down on fundamentalist Islamic resistance, at least 5,000 people were arrested, some executed, and others allegedly tortured. There were concerns that 10,700 suspected religious "extremists" on a list compiled by the State Committee on Religion may have been targeted for future arrest.<sup>129</sup> The impunity with which human rights activists have been arrested is seen as evidence of the limited influence of outside agencies, and also as "backfiring, creating a stronger and more extreme Islamic resistance."<sup>130</sup>

The Committee acknowledges that there have been serious terrorist incidents and that there are a number of legitimate cross-border security concerns. Foreign Minister Kamilov spoke to us about the "Afghan problem" of Islamic fundamentalism linked to transshipment of drugs and the illegal arms trade, referring to multilateral efforts to combat organized crime, including trafficking in nuclear materials. Although Uzbekistan has been seen as the most "anti-Russian" of the newly independent Central Asian states, such security issues seem to be playing into the hands of a reassertion of Russian influence in the region, a trend corroborated by Commander Terry Pinnell, Canada's naval attaché in Moscow, accredited to Central Asia, who briefed Committee members in Almaty and accompanied the delegation to Tashkent. Russian President Putin seemed to make those intentions clear when he stated during an official visit to Tashkent in May 2000:

It is common knowledge that attempts are underway to carve up post-Soviet lands along criminal lines with the aid of religious extremism and international terrorism. An arc of instability has emerged in the republics on Russia's doorstep. Speaking bluntly and practically, if we do not stop international terrorism here, we will face it at home.<sup>131</sup>

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<sup>128</sup> *Evidence*, 13 April, 2000, p. 8.

<sup>129</sup> "Uzbekistan Facing Human Rights Crisis", article posted 19 May, 2000 on EurasiaNet.

<sup>130</sup> Richard Paddock, "A Campaign of Terror in the Name of Fighting It: Uzbekistan says brutality is necessary to quash Islamic extremism but critics say the repression is backfiring", *Los Angeles Times*, 14 June, 2000.

<sup>131</sup> As cited in *ibid*.

In light of the rather tenuous situation on several fronts, the Committee advises a prudent gradual approach in advancing bilateral relations, geared to encouraging democratic reforms. Small steps are possible. We note that a Canada Fund contribution helped the National Human Rights Centre of Uzbekistan to produce and distribute a booklet on the UN Universal Declaration of Human Rights. Cooperation with the parliamentary ombudsman office could be furthered. But it is difficult to see support proceeding for human rights activities and other aspects of civil-society development without an enhanced Canadian diplomatic presence in the country. It was in that context that Ms. Holcak told the Committee "it is specifically in Uzbekistan that I think we, Canada, need to have some representation."<sup>132</sup> That consideration also applies to another interesting initiative, supported by CIDA, in which ten Uzbek students received management training at St. Mary's University. As Denis Leclaire, director of international activities for the university, explained to the Committee: "For the Uzbek project, which is only eight weeks long, it took six weeks to get visas and then someone from Tashkent had to fly to Moscow to pick up the passports. There certainly wasn't a lot of facilitation there as far as helping get the people into Canada."<sup>133</sup>

In raising the possibility of Uzbekistan opening an embassy or consulate in Ottawa, Foreign Minister Kamilov told Committee members in Tashkent that that would depend on success in being able "to activate our relations", as he put it. We agree that those relations should be upgraded in the coming years, bearing in mind, however, the concerns about the government's commitment to reform highlighted in the foregoing.

### **Recommendation 9**

**The Government should explore options for establishing a permanent diplomatic presence in Tashkent. At the same time, Canadian policy should maintain a cautious critical stance towards the current regime, focusing on opportunities to encourage democratic and human rights reforms, the development of a legal and financial structure conducive to private investment, and on activities, such as education and training programs, which are of long-term practical benefit.**

### ***Kyrgyzstan***

The tiny mountainous Kyrgyz Republic was, along with Uzbekistan, the first of the Central Asian states to proclaim independence in 1991. Led since that time by a scientist and academician, President Askar Askayev, rather than a typical ex-Communist Party political boss, the country also initially embraced political liberalization along with market-oriented reforms. Gaining favour in the West as an "oasis of democracy" in the

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<sup>132</sup> *Evidence*, 13 April, 2000, p. 14.

<sup>133</sup> *Evidence*, 2 May, 2000, p. 7.



region, it has been the recipient of large amounts of bilateral and multilateral donor assistance. The EBRD's *Kyrgyzstan 2000 Country Investment Profile* observed that it is the only CIS state which has accepted the IMF's conditions for full capital and current account convertibility. In December 1998, Kyrgyzstan became the 133rd member of the World Trade Organization (WTO), the first post-Soviet state to do so. It is seen as having "implemented the most liberal and democratic transition path in Central Asia."<sup>134</sup>

But, and there are many buts, the socio-economic, political and security picture gives much cause for concern over where "transition" is headed. As one analyst puts it:

It is difficult to explain to people why the country that has been most eager to adopt Western models — Kyrgyzstan — is suffering the most (other than Tajikistan, which has survived a disastrous civil war). Kyrgyzstan has seen the most severe increase in poverty and social stratification, has an economy near total collapse with bleak prospects for recovery, and is severely afflicted by corruption and social catastrophes such as the massive migration to cities from the rural areas where people are no longer able to maintain a subsistence existence.<sup>135</sup>

The reality is of a very poor country, without an adequate social safety net and with serious internal tensions. As the pre-publication draft of the EBRD *Profile* itself frankly reported:

Despite growth in recent years, GDP per capita remains very low and about half the population are living at a subsistence level. Social reforms and increased tax collection will be necessary to ensure progress in alleviating poverty. ... the country's growing debt is now greater than its GDP. ...

Efforts to attract foreign investment have included the development of a foreign investment law, special incentives for investors, establishing a liberal exchange rate regime, and an overall increase of support by the government. ... However, investment remains very low, at an estimated net total of only US\$ 64 million in 1999, and a cumulative net total of only US\$ 440 million from 1994-99, far below the country's capital requirements. It is unevenly distributed across the economy and largely concentrated in trading activities and large-scale mining. ... the investment climate needs much improvement. General problems such as corruption, complex bureaucracy, bureaucratic interference, and poor legislation and tax systems are particularly acute in the former Soviet republic — Kyrgyzstan being no exception.<sup>136</sup>

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<sup>134</sup> European Bank for Reconstruction and Development, *Kyrgyzstan 2000 Country Investment Profile*, p. 4.

<sup>135</sup> John Schoeberlein, "Between Two Worlds: Obstacles to Development and Prosperity", *Harvard International Review*, Winter/Spring 2000, p. 57.

<sup>136</sup> *Ibid.*, pre-publication draft, p. 6-7. The parts of this citation critical of investment performance were removed from the final version.

The critical comments on investment problems, which do not appear in the published version, are significant because Canada's main relationship with Kyrgyzstan to date has been an investment one. Indeed, Cameco's one-third stake in the US\$450-500 million Kumtor gold mining operation — a joint venture with the Kyrgyz government through the Kumtor Operating Company (KOC) — is to date the single largest Canadian private investment in the former Soviet Union. The Export Development Corporation (EDC) has also provided financing for the project, which directly employs over 1,500 local people and accounts for a substantial proportion of the country's GDP. By virtue of that, Canada is the biggest foreign investor in Kyrgyzstan.

The particular issues, notably in regard to environmental impacts and public process, which are raised by the Kumtor mining operation, which Committee members inspected on site, will be dealt with in more detail below. At this point, it should be noted that the testimony of Mr. Len Homeniuk, president of Cameco Gold and formerly of the KOC, corroborates the difficult situation of the country. For example, he indicated that "an average salary these days might be \$60 US a month. It's a very impoverished country. They have a very difficult time putting food on the table."<sup>137</sup> Cameco has had to resist the ever-present challenges of corruption given the "incredibly low wages" paid to public officials. Although, after years of lobbying by the company, Kyrgyzstan is revising mining regulations to be more in line with Canadian (specifically Saskatchewan provincial) standards, bureaucracy and regulatory matters are "held over from the Soviet times.... Operating a modern mine under these conditions has proven to be extremely frustrating and burdensome." Moreover: "Unfortunately, in contrast to earlier claims that the Kyrgyz Republic was the most democratic country in Central Asia ... it too seems to be turning autocratic. The parliamentary election has been criticized by the Organization for Security and Cooperation in Europe for failing to meet international standards. Presidential elections scheduled for this fall will likely see President Akayev further tighten his grip on the country."<sup>138</sup> As Ron Halpin of the Department of Foreign Affairs and International Trade noted before the Committee in April 2001, "The presidential elections in the Kyrgyz Republic in October 2000 were widely criticized by international observers, including Canada. To its credit, however, the Kyrgyz government is continuing to work with the OSCE and other international organizations to address the problems."<sup>139</sup>

In fact, the turning back towards autocracy goes back to at least the mid-1990s. As Fiona Adamson writes: "In 1994, President Akayev began to take anti-democratic measures such as closing down newspapers and shutting down parliament. In the 1995 elections, 'fraud, corruption, and public anomie reigned'. Since 1995 Akayev has taken steps to consolidate power in the executive branch of government."<sup>140</sup> Speaking of the

<sup>137</sup> *Evidence*, 11 April, 2000, p. 29.

<sup>138</sup> *Ibid.*, p. 5-7.

<sup>139</sup> *Evidence*, 26 April, 2001, p. 6.

<sup>140</sup> Adamson, "Building Civil Society from the Outside" (2000), p. 5-6.

democratic and human rights challenges facing Canada in Central Asia, DFAIT's Jim Wright observed in 2000 that: "The preservation of clan privilege takes precedence over the national interest, and this colours much of the daily machinations of government. Even in the most reformed state, the Kyrgyz Republic, clan privilege is rarely far from the surface."<sup>141</sup>

Alex Neve, Secretary General of Amnesty International Canada, indicated their concerns that "human rights defenders, local organizations in Kyrgyzstan who seek to promote and defend human rights, are at some risk in their work." The registration of the Kyrgyz Committee for Human Rights was revoked in 1998 and only restored after strong international pressure and OSCE intervention.<sup>142</sup> The much criticized parliamentary elections of February-March 2000 were followed by the arrest on spurious charges, and trial in a closed military court, of Felix Kulov, a popular former mayor of the capital Bishkek, seen as a potential rival to President Askayev.<sup>143</sup> While Committee members were meeting with the president, the Committee's research director was able to meet with one of the country's leading human rights activists, Natalia Ablova, director of the Bureau on Human Rights and Rule of Law. She confirmed that the country's elites have been moving away from earlier democratic reform intentions. It is those in power, she contended, not the population, that is not ready for real democracy: "People want changes but the opposition is very weak."

Ms. Ablova also pointed to the links, as in neighboring Uzbekistan, of political repression to socio-economic deterioration, rising Islamic militancy<sup>144</sup>, and a heightened security alert which has played into the hands of a reassertion of Russian influence in the region, where Kyrgyzstan "is the weakest link". In the summer of 2000, alarm bells went off when several hundred armed Islamic radicals, denounced as "Wahhabis" by the government, invaded southern Kyrgyzstan from adjacent areas of northern Afghanistan and Tajikistan and took hostages including four Japanese geologists. There were claims that thousands of guerrillas were being trained across the border and could stage new attacks.<sup>145</sup> In addressing such security threats, it is important to deal with the internal as well as external causes. One analyst points to:

...increasing social stratification as a small segment of the population enjoys opulent wealth while the majority toil in squalor. According to the Social Foundation of Kyrgyzstan, 60 to 70 percent of the population is considered "low income", while

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<sup>141</sup> *Evidence*, 4 April, 2000, p. 4.

<sup>142</sup> *Evidence*, 13 April, 2000, p. 4.

<sup>143</sup> Vicken Cheterian, "Kyrgyzstan between Elections: Times of Trouble", article posted 16 June, 2000 on EurasiaNet.

<sup>144</sup> See, for example, the article in *The Bishkek Observer*, "Origins of Wahhabism are in socio-economic crisis", 7 May, 2000, p. 4.

<sup>145</sup> Vicken Cheterian, "Where is Juma Namangani?", article posted 17 July, 2000 on EurasiaNet.

20 percent are classified as poor. The majority of the latter reside in the countryside, where the unemployment level is the highest. This problem is paramount for Kyrgyzstan, because the increasing stratification may lead to mass discontent and ultimately social upheaval. Many Communists and other presidential opponents play on the frustrations of the people in an effort to discredit efforts to democratize. In addition, Islamic groups can use the people's poverty and disenchantment for its political purposes, as they did in Egypt and Algeria.<sup>146</sup>

Parliamentarians with whom the Committee met did not seem overly concerned that the Communist party had obtained the most votes of any party in the recent flawed elections. However, like the temptation to religious extremism, this is an indication of the reactionary as well as reformist potential of social discontent.<sup>147</sup> Senior Kyrgyz officials and politicians sought to convey the message that these weaknesses are being acknowledged and addressed. For example, the Speaker of the People's Representative Assembly, Mr. Borubaev, affirmed that: "we are completely committed to the building of a civil society based on law and the market economy ... [we] have learned our lessons, taking into account the critiques of the OSCE and NGOs so that the next time elections will take place on a higher democratic level." There was an appreciation of political contacts, referring back to the visit by the Speaker of the Canadian Senate Gildas Molgat in 1998, and a desire to increase such exchanges in future. At the same time, as attested to by a Canadian parliamentary consultant who was in Bishkek at the time of the Committee's visit, progress towards effective institutions of parliamentary democracy remains painfully slow, and the practical political will is sometimes questionable.<sup>148</sup>

On the bright side, there is no question from the Committee's meetings that the Kyrgyz authorities, from the president on down, are very interested in pursuing close relations with Canada. Like Kazakhstan, there are already considerable ties with Saskatchewan in particular, through the Cameco investment and reinforced by a provincial trade mission in 1999. That may open the door to pro-reform influence through policy dialogue, private-sector opportunities, and cooperative assistance in a number of areas. One of these which should also be mentioned is the management of water resources, given that "Kyrgyzstan possesses large freshwater reserves of the highest quality."<sup>149</sup> It has been said that the country, "which has no natural gas and oil reserves like its downstream neighbors, considers water its new currency". A 1997 presidential edict asserted Kyrgyzstan's rights over water resources within its territory. Recognizing

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<sup>146</sup> Orozbek Moldaliev, "Security Challenges in Kyrgyzstan", in Bertsch et al., *Crossroads and Conflict*, chapter 14, p. 264.

<sup>147</sup> The landslide election of ex-Communists over reformers in Mongolia in July 2000 also gives some pause.

<sup>148</sup> Joseph Maingot, a respected Canadian consultant in parliamentary matters, was in Bishkek in May 2000 on a contract through the IPU and UNDP to provide procedural advice to the parliament. While the aims were undoubtedly worthwhile, he identified a number of frustrating aspects which limited the effectiveness of such assistance to this "very incremental democracy", in observations made to Committee staff on July 24, 2000.

<sup>149</sup> Moldaliev, "Security Challenges", p. 262.

the potential for transboundary conflicts, however, the OSCE has tried to broker a regional water-sharing agreement.<sup>150</sup>

The critical nature of water issues, and the need for regional and international cooperation around these, was highlighted by both Deputy Prime Minister Boris Silayev and NGO critic Natalia Ablova. Both also saw the densely populated Fergana valley as a potential flashpoint. Ms. Ablova's Bureau on Human Rights and Rule of Law has been involved in major international conferences on water management and conflict resolution and was hoping to get CIDA support for peace-building projects in the Fergana valley. (Professors MacFarlane and Carment had referred very positively in their testimony to the engagement of a growing women's movement in Kyrgyzstan as offering promise for Canadian participation in conflict prevention, early warning, and peace-building initiatives.<sup>151</sup>) In Bishkek, Minister Silayev told Committee members that "we can definitely learn from you as far as water management is concerned." He added that there is a need for "constant monitoring of storage facilities" (for mine tailings and other waste materials) in environmentally sensitive areas, which raises the issue of impacts from large-scale mining operations.

But while Mr. Silayev described the Kumtor project as "our pride and joy", strongly defending it against parliamentary and NGO attacks, Ms. Ablova was very critical about the way in which the KOC has handled environmental and public health concerns related to several widely-publicized accidents and in regard to the longer term consequences of this kind of development. Given that Kumtor represents such a significant Canadian investment, it raises several issues which merit closer attention.

### ***The Kumtor Controversy and Future Canadian Policy Interests***

As mentioned above, the Kumtor gold mine is the largest Canadian investment in the former Soviet Union. In addition to the Cameco and EDC stake, financing has come from a consortium of private banks, the EBRD, and the International Finance Corporation (IFC) of the World Bank. Controversy erupted after a May 1998 truck accident on a road leading to the high-altitude mine site, which released sodium cyanide compounds into the Barskaun river and Lake Issyk-Kul. While the public reaction was extremely negative (described by Mr. Homeniuk as "mass hysteria"), and there have been many allegations of poisoning effects, the international scientific commission of inquiry which was promptly undertaken by Canmet, and included experts from Health Canada and Natural Resources

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<sup>150</sup> See Bea Hogan, "Central Asian States Wrangle Over Water", and Roland Eggleton, "OSCE seeks Agreement on Central Asian Water", articles posted 5 April and 7 June, 2000, respectively, on EurasiaNet.

<sup>151</sup> *Evidence*, 2 May, 2000, p. 29.

Canada, found these to be relatively minimal in a report released in September 1998.<sup>152</sup> Cameco accepted some responsibility for damages resulting from the accident and agreed to pay compensation of US\$ 4.6 million to the Kyrgyz government.

The Committee has heard a great deal of, sometimes conflicting public testimony and received detailed written submissions, as well as relevant supporting material that is part of the documentary record, from company officials (Cameco and the KOC) and NGO critics (Mining Watch Canada, Natalia Ablova) in Canada and in Kyrgyzstan. In addition, a Committee delegation was also able to visit firsthand the accident site and tour all aspects of the actual mine operation. All things considered, we have to say that we were impressed by what we saw. We accept Cameco's word that it is trying to be a responsible investor under often trying circumstances, which include in addition to all the logistical, environmental and political challenges, higher costs and lower profitability than was anticipated. At the same time, there are clearly some ongoing problems and legitimate questions about how successful the company has been in meeting the tests of high expectations and public scrutiny.

While the May 1998 spill and several subsequent minor incidents have attracted most of the negative publicity, perhaps unfairly, the larger debate is on the overall impact of the mine — located in a slide-prone area and literally cutting into a glacier — the waste containment system, as well as long-term legacy following closure in another seven or eight years. As Joan Kuyek of Mining Watch put it to the Committee: "Cameco has a reputation as a responsible mine operator, but so did Esmeralda in Romania. I think it's important to realize that gold mining in those circumstances is a recipe for disaster and that a mine that's only going to be there for a few years is taking an incredible risk with the water supply and other things in Kyrgyzstan. ... there's been a lot of discussion about that one spill in May 1998. I don't think that's something that needs to be followed up. I think the question is much more around what they're doing with the tailings and what their plans for closure are."<sup>153</sup>

Apart from technical issues relating to adequate environmental safeguards, there are issues here of transparency and sustainability involving public trust and long-term development impact for the country. An example of both the valid misapprehensions and potential for misinformation which can arise is the following passage from a recently published book on the region:

Kyrgyzstan still possesses areas untouched by human activity, including beautiful landscapes, pure water, and air. However, the economic crisis threatens Kyrgyzstan's pristine environment as the population is pushed into irrational use of natural

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<sup>152</sup> Canmet, *The International Scientific Commission's Assessment of the Impact of the Cyanide Spill at Barskaun, Kyrgyz Republic, 20 May, 1998*, Mining and Mineral Sciences Laboratories Report MMSL 98-039 (CR), August 1998. The full report is available at <http://envirolab.nrcan.gc.ca>

<sup>153</sup> *Evidence*, 4 May, 2000, p. 19-20.

resources — clearing of forests, overcultivation of fertile land, violation of irrigation standards, etc. There are over 130 mining sites covering 1,950 hectares of land. Radioactive and non-ferrous metal sites are of the greatest concern. Most of them are located in zones known for mud and landslides, and along mountain rivers, thereby creating an ecological hazard involving territories of adjacent states and the entire Aral Sea basin. The need to strengthen control over the activities of industrial enterprises producing poisonous substances was proven again last year, when cyanides were dumped into Lake Issyk-Kul, causing mass poisoning of the population.<sup>154</sup>

While it is easy to agree with the concerns expressed about environmentally sustainable development, the latter statement, if an apparent reference to the Kumtor accident, is a grossly misleading exaggeration. The problem of perceptions and public confidence is nonetheless a real one. In his testimony, Mr. Homeniuk stated: "using Kumtor as an example, we have operated with the philosophy that we have no secrets, and have made all information, *with the exception of the dealings with security issues*, available to all project stakeholders, including the government, NGOs, and local communities."<sup>155</sup> He went on to elaborate on the environmental impact statement that was done at the feasibility stage and on the project conditions specified in the environmental management action plan (EMAP):

At Kumtor we agreed to abide by the most stringent of the Kyrgyz, Canadian, and World Bank environmental regulations. So our operation is by far more environmentally sensitive than it would be in Canada, for instance, in terms of the regulations we follow.

Also, with regard to the EMAP, we have an outside auditor inspect our operation once every three years. Recently we have agreed with a committee of NGOs that they would have the right to monitor and inspect our facilities as they wished. So the environmental scrutiny is there, and the EDC has been part of all of these endeavours.<sup>156</sup>

At a KOC briefing for Committee members at Cholpon-Ata on the shores of Lake Issyk-Kul, the delegation was shown copies of the EMAP, which does contain specific public information provisions, and the Emergency Response Plan (ERP). However, we were told that both documents are confidential to the project partners, although a summary of the ERP was being prepared for public release under the auspices of the Community and Business Forum for Kyrgyzstan (CBFK). This is an EBRD-led initiative, with funding from the UK's Department for International Development, and managed by the international NGO Flora and Fauna International with a project coordination office in Bishkek. However, Ms. Ablova, who was very suspicious of government or donor organized NGOs (known as GONGOs), dismissed this effort as a public relations

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<sup>154</sup> Moldaliev, "Security Challenges in Kyrgyzstan", p. 268.

<sup>155</sup> *Evidence*, 11 April, 2000, p. 5. Emphasis added.

<sup>156</sup> *Ibid.*, p. 22.

exercise. Notwithstanding the official commitments, assurances and responses, Kumtor's critics continued to claim that important matters related to the mine's impact have not received a full and independent public accounting.

The Committee appreciates the access and cooperation shown to us by Cameco and the KOC and we recognize that some critics may never be satisfied. However, in light of the above, we would hope that all reasonable requests for additional information to the public can be accommodated and that any legitimate remaining concerns related to the future of the Kumtor project can be addressed by the project partners in a transparent manner that has public credibility, above all among the affected population, as well as in Canada and internationally.

The Committee confronted some similar issues in regard to adequate environmental review and public disclosure in the course of conducting our review of the legislation governing the *Export Development Act*.<sup>157</sup> As EDC is one of the partners in Kumtor, this is also directly relevant to this case. We are pleased that the Government's response to our recommendations promised "immediate action to involve the office of the

Auditor General, which includes the Commissioner for Environment and Sustainable Development, to audit the adequacy of EDC's environmental framework and EDC's performance in implementing it when assessing specific projects", as well as additional statutory measures related to such oversight.<sup>158</sup> Given the criticisms identified in the May 2001 report by the Office of the Auditor General on its review of the EDC's environmental review framework, the Committee suggests that the circumstances of the EDC-supported Kumtor project could be referred to the Office of the Commissioner for an advisory opinion as to whether further action is warranted by Canadian government agencies and companies in this matter based on an objective review of all the pertinent facts.

#### **Recommendation 10**

**Canada should continue to develop and diversify bilateral relations with Kyrgyzstan on a basis that strongly encourages reform processes and offers support for genuine democratization efforts. Consideration should also be given to expanding technical cooperation in areas, such as water resources management and conflict prevention, of demonstrated need and Canadian expertise.**

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<sup>157</sup> See the Committee's Report, *Exporting in the Canadian Interest: Reviewing the Export Development Act*, tabled December 16, 1999.

<sup>158</sup> Canada, *Government Response to the Standing Committee on Foreign Affairs and International Trade (SCFAIT): Reviewing the Export Development Act*, 17 May, 2000, p. 13.



## Recommendation 11

The Government should work with the Canadian, Kyrgyz, and multilateral partners in the Kumtor mine project to ensure that all reasonable public concerns relating to its operation and environmental impact are addressed in an open and transparent manner. In respect of EDC's involvement in particular, the circumstances of environmental assessment in this case could be referred to the Office of the Commissioner of the Environment and Sustainable Development for an advisory opinion as to whether any further action is warranted based on a review of all pertinent facts.

### III. THEMATIC PRIORITIES: DIRECTIONS FOR FUTURE CANADIAN POLICY

#### *Regional Stability, Security Cooperation and Peacebuilding*

The Committee agrees with Ambassador Skinner and many other analysts that stability has to be an overriding policy objective. As the Trilateral Commission Report argues: "The costs are high in the long run if weak states, corrupt gangs in an outside government, ethnic tensions, and outside aggressors make the region an exporter of tension and instability."<sup>159</sup> Ambassador Skinner referred in Almaty to being situated at "the far end of an arc of instability" from the Balkans to Afghanistan. Interestingly, the same phrase has been used by Russian President Putin, who stated at the July 2000 G-8 Summit in Okinawa, Japan: "The centre of this arc ... is Afghanistan and this affects not only Russia and Central Asia but many other countries too. The only solution is to widen the international system for combating terrorism and to raise its effectiveness."<sup>160</sup>

The dangers posed by terrorist activity linked to extremist Islamic movements and economic crime are real. For example, Afghanistan has become the world's largest source of opium and Central Asia a major drug trafficking route. Central Asian countries are using the security card to manoeuvre among themselves and form alliances with Russian, and to a lesser extent Chinese, support. As one analysis puts it: "There is more at stake in Central Asia than eroding state structures amidst a Colombian-style breakdown of domestic order. There is also the survival of a tenuous geopolitical balance that has barely lasted a decade. Any logical rationale for the current borders disappeared with the collapse of the Soviet Union."<sup>161</sup>

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<sup>159</sup> *The New Central Asia*, p. 88.

<sup>160</sup> Cited in Mike Blanchfield, "Putin steals the show", *The Ottawa Citizen*, 24 July, 2000.

<sup>161</sup> "The Fergana Valley: A Magnet for Conflict in Central Asia", *Strategic Comments*, International Institute for Strategic Studies, July 2000, p. 2.

The Committee cautions, however, against concluding that stability requires propping up the region's increasingly discredited autocracies or playing along with great-power stratagems. In our view, the goal of stability must be pursued within an overall human security approach.

Certainly there are areas where security cooperation with the existing regimes is warranted. One of these is arms control — in regard to both weapons of mass destruction and small arms-trafficking — and coping with the terrible fallout, in environmental and human health terms, from Soviet-era weapons programs. The latter concerns not only nuclear contamination, as in the Semipalatinsk test site in Kazakhstan, but also toxicity from chemical and biological weapons testing, notably from the former test site on Vozrozhdeniye island in the shrinking Aral Sea, jointly administered by Kazakhstan and Uzbekistan.<sup>162</sup> Since Central Asia is virtually surrounded by larger nuclear capable states, it can be argued that it should be “their top priority to ensure the safety of weapons-usable fissile material through continuing upgrading of physical safeguards, training of security personnel, patrolling potential trafficking routes and the like”. As well, “stabilising the regional security framework is pivotal in order to minimise latent demand for nuclear material for whatever purposes.”<sup>163</sup>

Canada should contribute to international assistance efforts on non-proliferation — encouraging the Central Asian countries to bring to fruition their treaty to establish a Central Asia Nuclear Weapons Free Zone — and responding to other security threats, including of an environmental nature. The OSCE and NATO's Partnership for Peace are several multilateral vehicles for providing support. The Trilateral report calls for, in addition, “the formation of a Central Asian Roundtable as a means to encourage senior-level dialogue between trilateral countries, states of the region and key neighbours like China, Russia, Turkey, and Iran”. It also proposes a “High Authority on Central Asian Water” as part of creating a regional cooperation framework to deal with such critical joint management issues and to defuse potential conflicts over vital resources.<sup>164</sup> The UK Government's response to the British parliamentary report on the region argues that the OSCE should take the lead in that regard.<sup>165</sup>

While endorsing high-level multilateral initiatives of this sort, the Committee is convinced that long-term stability also depends on the development of pluralist political

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<sup>162</sup> As a result of this shrinkage, the island has grown to ten times its former size and is expected to be joined to the mainland by 2010. For further details see Judith Perera, “Concern over Anthrax Island”, *Jane's Intelligence Review*, July 2000, p. 18-19.

<sup>163</sup> Burkhard Conrad, “Regional (non-) Proliferation: The Case of Central Asia”, April-May 2000, p. 5.

<sup>164</sup> *The New Central Asia*, p. 94 and 86.

<sup>165</sup> See United Kingdom House of Commons Foreign Affairs Committee, *Sixth Report Session 1998-99 South Caucasus and Central Asia: Response of the Secretary of State for Foreign and Commonwealth Affairs*, London, October 1999, p. 3.

cultures and peace-building capacities *within* Central Asian societies. This highlights the importance of working with non-governmental partners committed to democratic reforms and to ethnic and religious tolerance. Examples such as the Central Asian Conflict Management Network and the human rights education carried out in conjunction with the Canadian Human Rights Foundation are first steps which could be expanded. Professor David Carment raised the possibilities to "train people in the areas of conflict prevention, conflict analysis, and peace-building, focusing on bottom-up approaches integrating NGOs into Canadian practices of peace-building and conflict prevention and working multilaterally with agencies supported through CIDA."<sup>166</sup>

Crucially, security objectives must also be linked to real improvements in living conditions for the region's people. That means responding directly to what the Trilateral report properly points to as ongoing internal sources of instability:

The shocking decline in public health and education, the decay or even absence of basic transportation and other social infrastructure and the emergence of a wide range of religious and other social organizations create targets for trilateral assistance. A broad range of public health and civil society programs would both meet real needs and foster a lasting link between trilateral countries and the populations of these emerging states.<sup>167</sup>

Accordingly, future Canadian assistance should focus on security needs at the societal level and specifically on efforts which promote peaceful pluralism.

#### **Recommendation 12**

**Canada should strongly support arms control and non-proliferation initiatives, including the establishment of a Central Asia Nuclear Free Zone. Canada should pursue broader security objectives, including environmental security, multilaterally through the OSCE in particular, and consider whether creating additional regional cooperation frameworks may be useful. As part of an overall human security approach, Canada should target its assistance to civil-society development which fosters ethnic and religious tolerance, conflict resolution and peace-building.**

#### ***Economic Cooperation and Sustainable Development***

Approaching the tenth anniversary of independence and post-Communist transition, Central Asian states, like those of the South Caucasus, have, in the words of a recent international conference report, "failed to establish sustainable strategies for economic development, and particularly for the exploitation of the region's energy

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<sup>166</sup> *Evidence*, 2 May, 2000, p. 27.

<sup>167</sup> *The New Central Asia*, p. 91.

reserves."<sup>168</sup> Estimates of Caspian reserves will continue to vary. While Rob Sobhani and Robert Cutler provided the Committee with more optimistic projections, a recent estimate of oil and gas reserves sees them as still "marginal, with an importance roughly double that of the North Sea."<sup>169</sup>

More importantly, the promise of resource wealth will create more problems than solutions if revenues are not used wisely, if they reinforce distorted and inequitable patterns of development rather than encourage reforms and sharing of benefits, and if they leave behind a polluted environment for future generations. As a special *National Geographic* survey put it: "While international deal-makers focus on Caspian oil, the millions who live there struggle to meet everyday challenges — establishing reliable food and fuel supplies, providing medical care and education, and reclaiming a healthy environment."<sup>170</sup> The Trilateral study along with others supports "pipeline diversification" in the commercial development of the region's energy potential. But at the same time, it urges Western assistance "to focus on pressing social needs from declining education and literacy to the decline in healthcare."<sup>171</sup>

What this suggests to the Committee is that we should look to a broader and more diversified approach to the region which integrates economic and social development goals with those of long-term sustainability. Ambassador Skinner observed in Almaty that Canada's existing economic relationship with Central Asia is "totally asymmetric". Mainly the flow is one-way, consisting of a few large investments going into the extractive non-renewable resource sector. It is important to look beyond that, to wider trade and small business development, the potential for exporting environmentally friendly technologies, for fostering community economic development, and so on.

Of course, large companies already operating in the region must be involved in this development effort. Mr. Cutler argued that Western companies were making progress in becoming better adapted to local conditions: "They have had to learn to new ways of doing things and even come up with new methods of management and new forms of inter-cultural and multinational organization."<sup>172</sup> Mr. Homeniuk of Cameco told the Committee: "We have had to invest substantial effort in understanding and learning to function within the cultural environment of Central Asia, and particularly the Kyrgyz Republic. Too often, in our view, foreign investors underestimate and misunderstand the

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<sup>168</sup> Jonathan Aves, Report on the 595<sup>th</sup> Wilton Park Conference, "Political and Economic Prospects in the Caspian Sea Region", Wilton Park, United Kingdom, March 6-9, 2000, p. 1 of Internet copy available at <http://www.wiltonpark.org.uk>

<sup>169</sup> McCarthy, "Central Asia Focus: The Geo-Politics of Caspian Oil", *Jane's Intelligence Review*, July 2000, p. 22.

<sup>170</sup> "Caspian Region: Promise and Peril", *National Geographic Magazine*, special survey and map, May 1999.

<sup>171</sup> *The New Central Asia*, p. 90 and 95ff.

<sup>172</sup> *Evidence*, 2 May, 2000, p. 15.

challenges of operating in a foreign culture. ... We strive to make Kumtor a good corporate citizen of the Kyrgyz Republic, participating actively in its social, artistic, economic and cultural life, building what we refer to as a golden partnership; a long lasting relationship based on mutual respect and common goals."<sup>173</sup>

We take a positive view of the contribution that Canadian business can make to Central Asia's development in a manner that promotes reform and democratic transition. We agree with Professor MacFarlane's remarks that economic expansion and export initiatives should be seen as complementary with democratization initiatives: "It's possible to do both. ... the federal government has a responsibility to promote the interests of the country's private sector. I don't see any contradiction in this."<sup>174</sup> As DFAIT's Jim Wright stated: "Canadian companies are obviously going there to do business. They're going there to make money for Canadians. That's not a bad thing, and if it can be done in a way that benefits the local society, that improves their quality of life, that contributes to these countries becoming more successful and being able to offer a level of service to their own people, that's a very good thing."<sup>175</sup>

Both business and NGO witnesses reminded the Committee, however, that a number of challenges need to be squarely faced in order that these mutual benefits are actually realized in practice. Some argued for stronger pressures to improve the investment climate. For example, Paul Carroll of World Wide Minerals recommended making further IMF, World Bank, or EBRD funding conditional on "resolution of outstanding trade and investment disputes", and enacting Canadian legislation to include such conditionality in financial assistance to the region.<sup>176</sup> Professor MacFarlane made the point that the absence of a clear message on political and governance reforms has been a weakness of Western policy to date. Indeed, the British House of Commons Foreign Affairs Committee report criticized the EBRD's lack of firmness in that regard, and recommended that: "The release of further funds by the EBRD should be made conditional upon improvements in the respect shown by governments of the region to multiparty democracy and pluralism."<sup>177</sup> In terms of Canadian policies, Mining Watch Canada argued that tax and regulatory regimes should incorporate conditionality based on standards of responsible corporate practice, and that any official support for

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<sup>173</sup> *Evidence*, 11 April, 2000, p. 7.

<sup>174</sup> *Evidence*, 2 May, 2000, p. 20-21.

<sup>175</sup> *Evidence*, 4 April, 2000, p. 20.

<sup>176</sup> *Submission*, 11 April, 2000, p. 8.

<sup>177</sup> United Kingdom House of Commons Foreign Affairs Committee, *South Caucasus and Central Asia, Sixth Report Session 1998-99*, recommendation 22.

international business activities (such as through EDC) "should be tied to strong and effective environmental and human rights standards."<sup>178</sup>

Apart from more effective conditionality, there is a positive role for technical cooperation assistance to promote a responsible and sustainable path of private-sector development. CIDA's Stephen Wallace affirmed that the Agency "has a particular role to play to ensure that policies, laws and regulations make sense and are applied fairly and transparently, that basic economic institutions work, and that workers are equipped to meet the demands of the global economy. These ... are the basic building blocks of sustainable trade and investment and they are the basis for addressing key aspects of governance and corruption."<sup>179</sup> Daniel Grabowski of SNC-Lavalin welcomed an increase in CIDA assistance, especially in areas of management expertise and training, some of which he suggested could be done on a repayable basis with funds "recycled back to CIDA for reuse in the country and in the region."<sup>180</sup> Kyrgyzstan's Deputy Prime Minister Silayev pointed to resource management, notably of water, to transportation and tourism development, and to WTO implementation issues. In regard to developing trade expertise, the kind of work on WTO accession that the Centre for Trade Policy and Law has been carrying out in the South Caucasus might be extended to Central Asia, learning from Kyrgyzstan's experience. Other promising areas for economic development assistance would include agriculture, basic infrastructure, and micro-credit that particularly increases opportunities for women's participation.

Nazeer Ladhani of the Aga Khan Foundation posed the issue of supporting economic development and job creation as follows: "...what can Canada do to make the Central Asian states effective and sustainable trading partners, in a way that promotes a multicultural democracy? Canadian expertise in private enterprise could prove critical in assisting the region's economies to make the successful transition to an internationally competitive free-market orientation. Private enterprise remains poorly developed in most parts of the region. This is partly due to culture and ideological traditions and the scarcity of qualified free-market entrepreneurs. But it's mainly the result of the tremendous effort required to restructure an entire society."<sup>181</sup>

The Committee agrees that Canada's economic relations with Central Asia need to be broadened and intensified, with a focus on creating conditions for responsible investment and developing local private-sector capacities which will be of long-term social benefit.

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<sup>178</sup> Supplementary written submission of May 4, 2000, p. 3.

<sup>179</sup> *Evidence*, 4 April, 2000, p. 9.

<sup>180</sup> *Evidence*, 11 April, 2000, p. 10.

<sup>181</sup> *Evidence*, 4 May, 2000, p. 15.

### Recommendation 13

Canada's multilateral and bilateral economic assistance policies towards Central Asia should clearly and firmly link levels of official support to demonstrable progress on economic and political reform. In addition, the Government should take whatever measures are necessary to ensure that Canadian firms active in the region adhere to high standards of socially and environmentally responsible behaviour. Canadian policy should also seek to diversify economic relations, expanding technical cooperation in areas where there is the most potential to build sustainable partnerships and to encourage local private-sector development.

### *Support for Human Rights, Democratic Development and Good Governance*

By almost any assessment, current conditions in Central Asia range from unsatisfactory to awful. DFAIT's Jim Wright acknowledged as much when he stated in his opening presentation to the Committee in 2000 that the region "represents a major human rights challenge for the international community and for Canada."<sup>182</sup> It is distressing to think that the promises of post-Communist transition and the obligations of OSCE membership, which go much beyond those contained in the Soviet-era Helsinki Accords, are being honoured more in the breach than the observance in Central Asia. Cassandra Cavanaugh of Human Rights Watch puts the situation sharply: "Twenty-five years after Helsinki, human rights activists in Central Asia encounter repression as harsh as any Czech or Polish dissident ever faced. But while the West lionized anti-Communist agitators, it pays little attention to the Central Asian men and women who are exiled, jailed and tortured."<sup>183</sup>

Democratic development clearly faces a long uphill road. There is no indigenous democratic tradition; even compared with Russia or other CIS states, "the political culture of Central Asia is highly conservative". And there are concerns that the post-independence departure of more educated European minorities along with declining living standards and a loss of Soviet educational achievements could impede the democratization process.<sup>184</sup> Despite the trappings of elections and other nominally democratic institutions since 1991, authoritarianism prevails while the construction of a democratic civil society has been marginalized. Observes one analyst: "As far as autonomous organizations are concerned, there is no sign of a break with the Soviet era. In Central Asia today genuine political parties either do not exist at all or their routine activities are blocked by a great variety of obstacles introduced by the government. ... In

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<sup>182</sup> Evidence, 4 April, 2000, p. 4.

<sup>183</sup> Cassandra Cavanaugh, "The Iron Hands of Central Asia", *The Washington Post*, 2 August, 2000.

<sup>184</sup> Anna Matveeva, "Democratization, legitimacy and political change in Central Asia", *International Affairs*, 75:1, 1999, p. 34.

all Central Asian countries, without exception, the formation of any autonomous organization is interpreted as an act of conspiracy to overthrow the government."<sup>185</sup>

The record of external democracy assistance is also sobering, despite very substantial funding from U.S. and European sources. Some deficiencies found in recent evaluations include:

- A concentration on urban areas, while neglecting the needs of rural areas where the majority of the population lives.
- A proliferation of NGOs, many of them of dubious character and merit, in response to donor funding availability.
- A dependence on donor aid and therefore donor agendas, resulting in things such as time and resources spent on production of English-language newsletters which cannot be read by local constituencies.

A series of policy-related lessons drawn from one such careful evaluation of Central Asian democracy programs are listed in Box 1.

<b>Box 1</b> <b>Some Lessons for Democracy Assistance Strategies*</b>
1. Democracy assistance efforts which may be appropriate for the level of economic and political development in Eastern Europe and Russia are not necessarily appropriate for Central Asia. Democracy assistance strategies should be flexible enough to be adapted to local situations. This requires organizational structure and staff who are familiar with the local context.
2. Funding cycles should be longer, with organizations able to carry over budgets from one year to the next without fear of losing future funds. Qualitative evaluative criteria should be used to a greater extent than quantitative criteria in determining the effectiveness of projects and programs.
3. There is a need for more community development projects in the region. Existing democracy assistance programs geared to NGO development and civic education will not be able to expand in areas where economic and educational activities are limited.
4. International actors should be more willing to work with a variety of local groups, such as local community structures ( <i>mahallas</i> ), government-based NGOs and religious organizations. If they work exclusively with the so-called "independent NGO sector", they will continue to reach only a small sector of society.

<sup>185</sup> Touraj Atabaki, "The Impediments to the Development of Civil Societies in Central Asia", in Atabaki and O'Kane, *Post-Soviet Central Asia*, p. 42.



5. Greater emphasis should be placed on open-ended training sessions, consultations, and problem-solving sessions with local actors in the region, and top-down approached to training should be minimized.

6. International actors should consider the impact of informal processes and institutions on their strategies and programs, and pay as much attention to these factors as to the formal institutional environment. Legal and other reforms will be unsuccessful if the impact of corruption, patronage networks, and other informal processes and institutions are not taken fully into account.

**\*Source:** Fiona Adamson, "Building Civil Society From the Outside: An Evaluation of Democracy Assistance Strategies in Uzbekistan and Kyrgyzstan", New York, Report prepared for the Columbia University Project on Evaluating Western NGO Strategies for Democratization and the Reduction of Ethnic Conflict in the Former Communist States, 2000, p. 36.

In working with civil-society groups, it is important that donors choose their partners carefully. Professor MacFarlane observed "a flavour-of-the-month quality to NGO activity ... they read about what the MacArthur Foundation, the Ford Foundation, the Bank, CIDA and whatever have as their priorities, and then they become the priorities, because this is an income generator." He suggested that integration into international networks of concern and exposure to multilateral selection processes could help to sort out which groups are serious and soundly-based.<sup>186</sup> Being able to critically assess the credibility and autonomy of NGOs was also a point underlined by human rights activist Natalia Ablova in Bishkek. Even a former Prime Minister of Kazakhstan warns that: "Central Asia's new dictators are extremely resourceful. For the benefit of the West, they create large numbers of seemingly non-governmental and quite democratic organizations: trade unions, environmental movements, women's movements, and political parties, all of which are really in the regime's pockets. A foreigner would be incapable of telling a genuine human-rights advocate from a false one, a real democratic movement from a fictional one."<sup>187</sup> His litmus test is being willing to openly criticize presidential rule.

The Committee is aware from its delegation's encounters in the region, that governmental interference and manipulation are all too common, and that much work also needs to be done to reform electoral laws and to strengthen genuinely democratic parliamentary institutions so that they can provide for an effective opposition within a system of checks and balances and as part of the accountability structures required for better governance. With these cautions and commitments to reform in mind, we see opportunities to increase support for democratic development activities, including through utilizing parliamentary exchanges and inter-parliamentary channels, as Mr. Cutler emphasized in his testimony.

<sup>186</sup> *Evidence*, 2 May, 2000, p. 28-29.

<sup>187</sup> Kazhegeldin, "Shattered Image: Misconceptions of Democracy and Capitalism in Kazakhstan", *Harvard International Review*, Winter/Spring 2000, p. 78.

As noted in Part 1, Ms. Holcak of the Canadian Human Rights Foundation endorsed institution-building and public administration reforms — including human rights training for state officials, police, prison guards, and security forces — but added a crucial caveat. Her argument is worth repeating:

Support is needed for strengthening the democratic functioning of parliaments, reinforcing the independence of the judiciary, and establishing independent and effective human rights institutions. Given Canada's particular experience in this field, it makes sense for Canada to support the creation of independent ombudsman offices in the region.

However, strengthening institutions is not enough. No matter how much effort is put into parliaments, the judiciary or human rights institutions, these energies will be wasted unless a similar effort is put into the emergence of a vibrant civil society capable of mobilizing the public to protect their own interests.<sup>188</sup>

She referred in that regard to developing civil-society capacities, including through independent media, to monitor human rights performance and seek redress for violations, to advocate for democratic changes, and to network locally, regionally, and internationally. Once again: "One of the most effective ways for Canada to contribute to the democratization process is to support the human rights education initiatives that target schools and state officials. It is particularly important for the long term to target the younger generation by incorporating effective human rights education programs in the schools. Canada can provide support for training teachers and developing appropriate curriculum materials. In addition to any support provided through ministries of education, Canada should not ignore the important role NGOs are already playing in this area."<sup>189</sup>

Finally, at the diplomatic level, the Committee agrees with Ms. Holcak that Canada's voice needs to be clearly heard:

Canada should use its bilateral and multilateral relations with the countries of the region to express its concerns about human rights and to lift repressive legislation and policies. Canada's membership in the UN Security Council, the UN Commission on Human Rights, and the IMF give it considerable opportunities to exert influence at the multilateral level. Unfortunately our bilateral influence is limited by the low level of diplomatic representation in the region. Nonetheless, when the opportunities arise, Canadian diplomats should urge the governments in the region to take concrete action to remove restrictions on freedom of association and expression and to improve the overall human rights situation.<sup>190</sup>

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<sup>188</sup> Evidence, 13 April, 2000, p. 9.

<sup>189</sup> Ibid., p. 10.

<sup>190</sup> Ibid., p. 9.

#### **Recommendation 14**

**Canada should increase its support for human rights monitoring and human rights education and training initiatives in Central Asia, working through partnerships with credible locally-based non-governmental organizations. Canada should use bilateral diplomacy and international forums wherever possible to raise concerns about gross violations and to pressure the region's governments to respect their OSCE and UN human rights obligations. The Government, through CIDA, should provide democratization and good governance assistance, including for strengthening parliamentary institutions, based on an approach that is specific to the region and fully takes into account the lessons of donor experience, giving particular attention to ensuring that the local partnership is based on a genuine commitment to democratic reform.**

#### ***Educational, Cultural and Future Forms of Cooperation***

A theme which emerged repeatedly in the Committee's hearings and discussions in the region is the need to broaden relations in ways which take account of the human dimension. It may be a truism to say that Central Asia's future depends on its young people, the first generation of the transition era. But we do see investment in human resources, contacts and inter-cultural exchanges as among the most promising for building mutually profitable relationships over the long term.

Education is obviously a key component of a progressive human-centred approach to international cooperation. As Professor MacFarlane observed:

What does it mean to support society from below? What does it mean to build capacity? What do we mean by educational opportunity? ... In my view the most successful component of American assistance programming in the region has been conducted through the Eurasia Foundation. Basically, it is targeted in two directions. One is getting promising young people out of the region and educating them in American universities. The second is supporting the development of quasi-modern educational institutions within the region itself. It doesn't cost a lot of money and you are actually creating the cultural basis for change.<sup>191</sup>

According to Denis Leclaire of St. Mary's University, Canada is also well placed to provide that:

Canadian universities large and small can play a major role in the transformation process taking place in the countries of the former Soviet Union. Canadian universities have requisite geographical and sectoral expertise ... and can act as agents of change to build capacity and change attitudes and strategies that are in place in many of the

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<sup>191</sup> Evidence, 2 May, 2000, p. 22.

countries of Central Asia. Capacity-building is what Canadian universities do well internationally, and capacity-building in such sectors as management training, governance, gender, and the environment is required to create a new ethos ....<sup>192</sup>

Reference was made earlier in the Report to the specific project involving management trainees from Uzbekistan that St. Mary's University conducted with the Canadian Bureau for International Education, supported by CIDA. Patrick Armstrong also urged increasing the kinds of scholarships that CIDA offers: "I believe in working on a small scale with people. ... Invest in the future ... young people. Bring them out here, get them to Canada, teach them something useful...."<sup>193</sup> Educational cooperation was specifically mentioned as a high priority in the meeting that Committee members had with Uzbekistan's Foreign Minister Abdulaziz Kamilov, who indicated that another 25 people were due to go to Canada on study programs, and who described this activity as "key to further development of bilateral relations". However, as Mr. Leclaire pointed out, they have had considerable difficulties in arranging visas for students, compounded by the lack of Canadian diplomatic presence in the country. Instead of facilitation there has been frustration. He observed that: "Visas to Canada are much more difficult to obtain than to the U.S. or to Europe."<sup>194</sup> In our view, this is a situation which calls for prompt government attention.

There are a number of areas in which educational and training activities oriented towards public management, private-sector and civil-society development could be enhanced as a policy objective of Canada. In the previous section we referred to human rights education at various levels and support for independent media. Earlier in the Report we mentioned the opening of the Southern Alberta Institute of Technology (SAIT) Caspian Training Centre which coincided with Committee members' visit to Almaty. Geared to the needs of Kazakhstan's energy industries, as Canadian expertise is transferred, it is intended that the Centre will eventually become financially self-sustaining and locally run. We agree with the remarks of SAIT spokespersons Ron Talbot and Ed Evancio made to a meeting of the Canadian business roundtable in Almaty that projects must be designed to be "sustainable for the peoples of the countries in which we work."

In the Committee's view, there should be more such projects which build practical linkages through educational and training networks. Government support is essential. In addition to CIDA, Robert Cutler also mentioned possibilities for International Development Research Centre (IDRC) involvement in regional environment and energy development, peace-building and conflict-prevention activities. We would also encourage Canadian businesses to take into account the human factor in the Central Asian environment and

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<sup>192</sup> *Evidence*, 2 May, 2000, p. 5

<sup>193</sup> *Evidence*, 2 May, 2000, p. 23.

<sup>194</sup> *Evidence*, 2 May, 2000, p. 7

specifically to maximize the human resources development benefits to the region from their investments.

There is much scope for Canadian contributions to fostering what Nazeer Ladhani of the Aga Khan Foundation termed "multicultural democracy." Referring to support for reorientation and development of human resources, he observed that: "The development of new language and human skills that are appropriate to the environment in which they live and to a new and globalized economy are urgently needed. Otherwise, millions of Central Asians, particularly the young, will face unemployment, thereby increasing the chances for future social unrest." He encouraged further Canadian involvement in educational initiatives, including the establishment of a Central Asian university, in the reform and rehabilitation of the health care as well as education sectors, where Canadian expertise is highly regarded, and not least, in "learning from and promoting the rich cultural heritage of the region." In regard to the latter, he mentioned the AKF's Cultural Humanities Project for Central Asia, which "employs civilization as an orienting principle to promote and strengthen cultural pluralism and the foundations of civil society", and the related Silk Road Project, "an international effort to promote the region's past and present cultural contributions to the world, primarily in the field of secular and devotional music."<sup>195</sup>

In sum, looking ahead to the second decade of post-Soviet independence and transition, it is a good time for Canadian policy to take stock of its limited presence to date in the region and to enlarge its horizons. The challenges facing Central Asia are great, but so are the opportunities to be explored, not only for exploiting energy and mineral resources, but also for working on environmental preservation, contributing to peaceful pluralism and the emergence of democratic civil societies, supporting overall human and cultural development. In that respect, Mr. Ladhani's hopeful message to the Committee provides an apt conclusion to this Report:

Canadian participation in these endeavours would enable them to become new and important pillars of the region's cultural future. Indeed, in today's world only the nearly blind could ignore the striking need for and importance of cultural diplomacy. [...] by helping Central Asians understand the strength of their cultural diversity, and anchoring this concept in the national education systems and artistic constituencies, we engender ethnic harmony and contribute to the creation of multicultural democracy.

In conclusion, Canada's active engagement can promote multicultural democracy, the *sine qua non* for successful development — politically, economically, and socially — of the Central Asian republics. This in turn will enhance investment opportunities and benefit Canadian foreign policy interests in the region.<sup>196</sup>

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<sup>195</sup> Evidence, 4 May, 2000, p. 16-17.

<sup>196</sup> Ibid., p. 17.

### **Recommendation 15**

**Canada should increase its support to educational and training initiatives in Central Asia, including through more CIDA scholarships. The Government should facilitate visa requirements to that effect, and should encourage additional private-sector and NGO efforts which have an educational and local capacity-building component. Following up the Aga Khan Foundation's suggestions for future cooperation, the Government should also explore participation in initiatives to promote cultural diversity and inter-cultural exchanges.**

# RECOMMENDATIONS

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## Recommendation 1

In view of the importance to Canadian Foreign Policy of the South Caucasus and Central Asia, the Committee recommends that the Government of Canada develop, prepare, and publish a policy statement outlining a significant increase in Canadian engagement with the Countries of these regions. As noted above, such a policy must adopt a long-term perspective, and include:

- an immediate significant increase in Canadian diplomatic and other personnel stationed in these regions, as well as an increase in Ottawa-based support;
- a focus on educational support, including human rights education and increased Canadian scholarships for students from these regions;
- a recognition of the importance of the rule of law, and specific initiatives to combat corruption;
- a significant emphasis on the Organization for Security and Cooperation in Europe (OSCE) as a key means of advancing security and democratic development goals in these and other regions.
- streamlined procedures for expediting visas for students from these regions;
- an increase in Canadian aid to these regions, as set out subsequently in this report;
- a working visit to the regions by the Minister of Foreign Affairs, both to demonstrate increased Canadian interest in the regions and to contribute to the development of an enhanced Canadian policy.

## Recommendation 2

While applicable beyond the South Caucasus and Central Asia, the Committee recommends that the Government of Canada invite a proposal from the Parliamentary Centre for the establishment of a program of training and research on the increasingly important area of "parliamentary diplomacy" and interparliamentary institutions, focussing particularly on their potential in the South Caucasus and Central Asia. The Committee also recommends that the Government of Canada support the further development of the Country Indicators for Foreign Policy (CIFP) project at Carleton University.

### **Recommendation 3**

The Committee recommends that, as a key element of a strengthened policy toward the South Caucasus, the Government of Canada place particular emphasis on strengthened support for the activities of the OSCE and on supporting the context for conflict resolution and increased foreign investment through democratic development and programs to combat corruption. In respect of Nagorno-Karabakh, the Government of Canada should exploit every opportunity in bilateral relations and multilateral institutions to assist in finding a solution to this conflict.

The Committee recommends that the Government of Canada establish a Canadian embassy in Georgia which would have responsibility for relations with the three states of the South Caucasus. The Government of Canada should also stand ready to consider opening embassies in Azerbaijan and Armenia as progress is made in resolving the dispute over Nagorno-Karabakh and increasing regional cooperation.

### **Recommendation 4**

Canada should reinforce its diplomatic representation in Central Asia through additional resources to the embassy in Almaty and the establishment of a mission presence in at least one other country; Uzbekistan being a likely first choice since it has over 40% of the region's population. The Government should also ensure that DFAIT and CIDA headquarters have adequate resources in place designated to monitor regional developments and capable of managing an enhanced program of Canadian activities in the region.

### **Recommendation 5**

Canada should concentrate future policy and program development in strengthening relations with Central Asia in the following priority areas:

- regional stability and peacebuilding;
- broader long-term economic relationships and sustainable development;
- democratic governance reforms, human rights and support to civil society;
- human resources, education, and culture.

### **Recommendation 6**

Canada should support the firm application of political reform conditionality in bilateral and multilateral relations with Central Asian countries, notably in the case of Turkmenistan. Development of any further contacts with that country should await evidence of substantial improvement in the political situation.



### **Recommendation 7**

Canada should continue to give strong support to the work of the Aga Khan Development Network, notably its projects in Tajikistan. The Government should watch developments in that country with a view to further possibilities for collaboration with non-governmental organizations such as the Aga Khan Foundation.

### **Recommendation 8**

Canada should reciprocate Kazakhstan's desire to deepen bilateral relations while pursuing a policy agenda which firmly asserts Canadian interests and values in the following areas in particular:

- Improvements in the overall investment climate which are predicated on legal and public administration reforms and adherence to high standards of transparency and corporate responsibility.
- Investments in education and training programs in areas of Canadian strength.
- Support for democratic institution-building, human rights, and peace-building activities.
- Cooperation in nuclear non-proliferation initiatives.

In addition, the Committee believes that a visit to Canada by President Nazarbayev would provide a useful opportunity to advance Canadian interests and values. Any such visit, however, should be preceded by the Government of Kazakhstan taking concrete steps to resolve such high profile cases as those referred to above.

### **Recommendation 9**

The Government should explore options for establishing a permanent diplomatic presence in Tashkent. At the same time, Canadian policy should maintain a cautious critical stance towards the current regime, focusing on opportunities to encourage democratic and human rights reforms, the development of a legal and financial structure conducive to private investment, and on activities, such as education and training programs, which are of long-term practical benefit.

### **Recommendation 10**

Canada should continue to develop and diversify bilateral relations with Kyrgyzstan on a basis that strongly encourages reform processes and offers support for genuine democratization efforts. Consideration should also be given to expanding technical cooperation in areas, such as water resources management and conflict prevention, of demonstrated need and Canadian expertise.

#### **Recommendation 11**

**The Government should work with the Canadian, Kyrgyz, and multilateral partners in the Kumtor mine project to ensure that all reasonable public concerns relating to its operation and environmental impact are addressed in an open and transparent manner. In respect of EDC's involvement in particular, the circumstances of environmental assessment in this case could be referred to the Office of the Commissioner of the Environment and Sustainable Development for an advisory opinion as to whether any further action is warranted based on a review of all pertinent facts.**

#### **Recommendation 12**

**Canada should strongly support arms control and non-proliferation initiatives, including the establishment of a Central Asia Nuclear Free Zone. Canada should pursue broader security objectives, including environmental security, multilaterally through the OSCE in particular, and consider whether creating additional regional cooperation frameworks may be useful. As part of an overall human security approach, Canada should target its assistance to civil-society development which fosters ethnic and religious tolerance, conflict resolution and peace-building.**

#### **Recommendation 13**

**Canada's multilateral and bilateral economic assistance policies towards Central Asia should clearly and firmly link levels of official support to demonstrable progress on economic and political reform. In addition, the Government should take whatever measures are necessary to ensure that Canadian firms active in the region adhere to high standards of socially and environmentally responsible behaviour. Canadian policy should also seek to diversify economic relations, expanding technical cooperation in areas where there is the most potential to build sustainable partnerships and to encourage local private-sector development.**

#### **Recommendation 14**

**Canada should increase its support for human rights monitoring and human rights education and training initiatives in Central Asia, working through partnerships with credible locally-based non-governmental organizations. Canada should use bilateral diplomacy and international forums wherever possible to raise concerns about gross violations and to pressure the region's governments to respect their OSCE and UN human rights obligations. The Government, through CIDA, should provide democratization and good governance assistance, including for strengthening parliamentary institutions, based on an approach that is specific to the region and fully takes into account the lessons of donor experience, giving particular attention to ensuring that the local partnership is based on a genuine commitment to democratic reform.**

### **Recommendation 15**

**Canada should increase its support to educational and training initiatives in Central Asia, including through more CIDA scholarships. The Government should facilitate visa requirements to that effect, and should encourage additional private-sector and NGO efforts which have an educational and local capacity-building component. Following up the Aga Khan Foundation's suggestions for future cooperation, the Government should also explore participation in initiatives to promote cultural diversity and inter-cultural exchanges.**

# APPENDIX A LIST OF WITNESSES

Associations and Individuals	Date	Meeting
<b>36th Parliament, 2nd Session</b>		
<b>Canadian International Development Agency</b>	2000/04/04	35
<p>Jean Couturier, Country Program Manager, Southern Europe, Caucasus, Central Asia</p> <p>Stephen Wallace, Director, Southern Europe, Central Asia and Humanitarian Assistance</p>		
<b>Department of Foreign Affairs and International Trade</b>		
<p>Robert Brooks, Deputy Director, Eastern Europe Division (Belarus, Caucasus, Central Asia, Moldova, Ukraine)</p> <p>Ann Collins, Director, Eastern Europe Division</p> <p>Jim Wright, Director General, Central, East and South Europe</p>		
<b>Cameco Gold Ltd.</b>	2000/04/11	39
<p>Peter Homeniuk, President</p>		
<b>Caspian Energy Consulting</b>		
<p>Rob Sobhani, President, Professor, Georgetown University, Expert on Caspian and Middle East Persian Gulf Issues</p>		
<b>SNC-LAVALIN Inc.</b>		
<p>Daniel Grabowski, Area Manager</p>		
<b>World Wide Minerals Ltd.</b>		
<p>Paul Carroll, Spokesperson</p>		
<b>Amnesty International (Canada)</b>	2000/04/13	41
<p>Alex Neve, Secretary General</p>		
<b>Canadian Human Rights Foundation</b>		
<p>Ria Holcak, Director, Central and Eastern Europe</p>		

<b>Associations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<b>Country Indicators for Foreign Policy Project, Norman Paterson School of International Affairs, Carleton University</b> David Carment, Professor Neil MacFarlane, Professor, Oxford University Patrick Armstrong, Expert in questions related to the region of South Caucasus and Central Asia	2000/05/02	42
<b>Centre for Trade Policy and Law of Carleton University</b> Phil Rourke, Program Director, CIS and Eastern Europe Denis Leclaire, Professor, Saint Mary's University Robert Cutler, Research Fellow, Institute of European and Russian Studies, Carleton University	2000/05/02	43
<b>Aga Khan Foundation of Canada</b> Nazeer Ladhani, Chief Executive Officer	2000/05/04	44
<b>Canadian Society for International Health</b> Chris Rosene, Director, Trans Caucasus Health Information Project		
<b>Mining Watch Canada</b> Joan Kuyek, National Coordinator		
<b>As Individual</b> Bolat Nurgaliyev, Ambassador of the Republic of Kazakhstan to Canada and the United States		

Associations and Individuals	Date	Meeting
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### 37th Parliament, 1st Session

<b>Department of Foreign Affairs and International Trade</b>	2001/04/26	13
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Ann Collins, Director, Eastern Europe Division

Wendy Gilmour, Deputy Director, Belarus, Caucasus,  
Central Asia, Moldova, Ukraine (REE)

Ron Halpin, Director General, Central, East and South  
Europe Bureau

#### ***Group A: Meetings and visits of sites in Turkey, Azerbaijan, Georgia and Armenia***

##### ANKARA, TURKEY

<b>Canadian Embassy (Ankara)</b>	2000/05/07	
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Jean-Marc Duval, Ambassador

Stuart Hughes, Counsellor

Eric Walsh, Second Secretary

<b>State Minister, Turkic Republics</b>	2000/05/08	
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Abdulhaluk Çay, State Minister

#### **Ministry of Foreign Affairs, Turkey**

Vefahan Ocak, Deputy Director General, Americas

Dicle Kipuz, Deputy Director General, Policy Planning

Hayri Erol, Deputy Director General, Bilateral Economic  
Affairs

Unal Cevikoz, Deputy Director General, Caucasus and  
Central Asia

Ercument Enc, Head of Department and Under Deputy  
Director General Bilateral Economic Affairs

Naci Sairbas, Head of Department and Under Deputy  
Director General, Energy

Alphan Solen, Head of Department and Under Deputy  
Director General, Eastern European Affairs

Necip Eguz, Head of Department and Under Deputy  
Director General, European Council and Human  
Rights

Ahmet Arda, Head of Department and Under Deputy  
Director General, Research

<b>Associations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
Ates Oktem, Head of Department and Under Deputy Director General, Northeastern Mediterranean Affairs		
Feyha Enc, Head of Department and Under Deputy Director General, Consular Affairs		
Hasan Aygun, Head of Department and Under Deputy Director General, Middle Eastern Affairs		
<b>President</b>	2000/05/08	
H.E. Süleyman Demirel, President, Republic of Turkey		
<b>Turkish Grand National Assembly, Foreign Affairs Commission</b>		
Kamran Inan, Chairman		
<b>Foreign Minister</b>		
Ismail Cem		
<b>ISTANBUL, TURKEY</b>		
<b>Turkish Armenian Business Development Committee</b>	2000/05/09	
Selin Karakas, Committee Coordinator		
Kaan Soyak, Chairman		
<b>Black Sea Economic Cooperation Council</b>		
Ambassador Mustafa Aksin		
<b>Attidal Dogan Group of Companies</b>		
M. Kaan Dogan, Deputy General Manager		
<b>Honorary Consul for Canada</b>		
Banu Kirec Tesal		
<b>Arge Consulting</b>		
Dr. Yilmaz Arguden		
<b>Alarko Holding, Kuruçe Ime premises</b>		
Ishak Alaton		
Üzeyir Garih		
Dr. Oktay Varlier		

Associations and Individuals	Date	Meeting
<b>BAKU, AZERBAIJAN</b>		
<b>Deputy Ministry of Foreign Affairs</b>	2000/05/10	
Araz Azimov, Deputy Minister		
<b>Department for Europe, USA and Canada</b>		
Perviz Shahbazov, Deputy Head		
<b>Division for International Organizations</b>		
Elchin Amirbekov, Head of Division		
<b>Division for International Security Policy (including NATO)</b>		
Kamil Khasiev, Head of Division		
<b>Ministry of Foreign Affairs</b>		
Vilayet Guliev, Minister of Foreign Affairs		
<b>Prime Minister</b>		
Artur Rasi-zade, Prime Minister		
<b>NGO representatives</b>		
Kim Perlow, Country Director, ISAR/AZERBAIJAN		
Lutful Kabir, Chief Technical Advisor, UNDP		
Peter Van Praagh, Director, New Democratic Institute for International Affairs, Azerbaijan		
Dr. Leila Yunus, Director, Institute for Peace and Democracy		
Arzu Abdullayeva, Chairwoman, Azerbaijan National Committee		
Mustafa Ghulam, Resident Representative, UNDP		
<b>State Committee for Refugees</b>		
Vice Prime Minister Ali Hassanov		
<b>Head of UNHCR office Baku</b>		
Didier Laye		
<b>Speaker of Parliament</b>		
M. Aleskerov		



Associations and Individuals	Date	Meeting
<b>Chairman of Delegation, OSCE Parliamentary Assembly</b>	2000/05/10	
Sattar Safaroy		
<b>President</b>		
President Haydar Aliyev		
<b>Stonepay</b>		
Ekbkr Sem Ceferpur, President		
<b>BARDA, AZERBAIJAN</b>		
<b>Chairman of Executive Committee in Barda</b>	2000/05/11	
Elman Allahverdiyev		
<b>UNHCR and other NGOs Representatives</b>		
Tomas Merils, Senior Construction Officer, Relief International		
Brian Coulson, Logistics Officer, Relief International		
Ulvi Ismail, Senior Field Clerk, United National High Commissioner for Refugees		
<b>TBILISI, GEORGIA</b>		
<b>OSCE</b>	2000/05/12	
Ambassador Jean-Michel Lacombe		
Ivar Vikki, Deputy Head of OSCE Mission to Georgia		
<b>Ministry of Foreign Affairs</b>		
Irakli Menagarishvili, Minister of Foreign Affairs		
<b>Parliamentary Foreign Affairs Committee</b>		
Mrs. Nino Burjanadze, Chair		
<b>Committee on Foreign Relations</b>		
Givi Shugarov, First Deputy Chairman		
<b>Chairman of Parliament</b>		
Zurab Zhvania		
<b>State Minister</b>		
Vazha Lortkipanidze		

Associations and Individuals	Date	Meeting
<b>Department of Relations with the World Trade Organization</b>	2000/05/12	
Ioseb Abashidze, Deputy Head of Department Levan Lomidze, Head of Department of Relations with WTO		
<b>Centre for Trade Policy and Law, Carleton University</b>		
Nicolas K. Temnikov, Senior Advisor		
<b>Georgia Green Movement</b>		
Rusudan Simonidze, Executive Director		
<b>W.R. Hines and Associates Inc. International Trade and Economic Consultants</b>		
W. Roy Hines, President		
<b>Shorebank Advisory Services</b>		
Luc Vaillancourt, Country Manager for Loan Development, Caucasus SME Finance Program		
<b>Georgian Young Lawyers' Association</b>		
Tinatin Khidasheli, President		
<b>TSKHINVALI, GEORGIA</b>		
<b>Tskhinvali Region</b>	2000/05/13	
Loudwig Chibirov, Head of Tskhinvali region		
<b>YEREVAN, ARMENIA</b>		
<b>From the Canadian Embassy</b>	2000/05/14	
Rodney Irwin, Ambassador Karen Matthias, Third Secretary		
<b>Honorary Consul</b>		
Artashes Emin		

Associations and Individuals	Date	Meeting
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**Representatives of NGOs**

2000/05/15

- Dr. Natalie Martirosian, Helsinki Citizens Assembly
- Anahit Bayandur, Helsinki Citizens Assembly
- Avetik Ishkhanyan, Chairman, Armenian Helsinki Committee
- Edward Mouradian, Attorney at Law, International Legal Consulting Inc.
- Larisa Alaverdyan, Executive Director, Armenia, Fund Against Violation of Law
- Levon Nercissian, Sakharov Foundation

**National Assembly**

- Achot Khatchatrian, President

**Representatives of International Organizations**

- Katica Cekalovic, UN Coordinator, UNDP Resident Representative, Armenia
- Roy S. Reeve, Ambassador, Head of Office, Yerevan Organisation for Security and Co-Operation in Europe
- Lise S. Boudreault, Head of Delegation, International Committee of the Red Cross
- Tom Delaney, USAID

**International Centre for Human Development**

- Armen Darbinian

**Minister of Economy and Finance**

- Levon Barkhoudarian

**President**

- Robert Kocharian

**Armenian Centre for National and International Studies**

- Raffi Hovannisian

Associations and Individuals	Date	Meeting
<b>Representatives of International Organizations</b>	2000/05/15	
Joseph Courtright, IMF Advisor, Central Bank of the Republic of Armenia		
George Anayiotos, IMF Resident Representative		
Owaise Saadat, World Bank Resident		
<b>Representatives from Embassies to Armenia</b>		
Julian Lyon, Vice-Consul, British Embassy		
Rudolf Berkner, Chargé d'affaires, Embassy of the Federal Republic of Germany		
Michel Legras, Ambassador, Embassy of France		
Panayotis Zografos, Ambassador, Embassy of Greece		
Mark Tauber, Counsellor, Embassy of the United States of America		
<b>Group B: Meetings and visits of sites in Kazakhstan, Uzbekistan and Kyrgyzstan</b>		
<b>KAZAKHSTAN</b>		
<b>From the Canadian Embassy (Almaty)</b>	2000/05/08	
Gerald Skinner, Ambassador		
Andreas R. Weichert, Tradé Commissioner		
Terrance Pinell, Naval Attaché		
<b>As Individual</b>		
Askar Duzenov, Consultant Business Development		
<b>Aga Khan Development Network</b>		
Hakim N. Feerasta, Resident Representative		
<b>Centre for Non-Proliferation Studies</b>		
Margarita Sévcik, Office Manager, Programme Co-ordinator		
<b>Hurricane Kumkol Munai JSC</b>		
Bernard Isautier – HHL CEO and President		
Askar Alshinbaev – HHL BoD Member		
Jim Doak – HHL BoD Member		
Robert Kaplan – HHL BoD Member		
Lou MacEachern - HHL BoD Member		

<b>Associations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
Nurzhan Subkhanderdin - HHL BoD Member MarioThomas – HKM President Vladimir Vasilenko – HKM Marketing Director Issak Sekeyev – HKM Public Relations Manager Nurlan Bizakov –ShNOS BoD Chairman	2000/05/08	
<b>European Bank for Reconstruction and Development</b> John Kur, Office of the Executive Director for Canada Michael Davey, Director	2000/05/09	
<b>Human Rights Group and Rule of Law Conflict Management Centre</b> Lada Zimina, Programme Coordinator		
<b>Organisation for Security and Co-operation in Europe</b> Ulrich Schöning, Ambassador, Head of OSCE Centre in Almaty		
<b>United Nations Development Programme</b> Roy D. Morey, Resident Representative		
<b>Almaty's Business Club</b> Glenn Catchpole, Cameco Bill Gilliland, Macleod Dixon Vladimir Tolochko, Cameco		
<b>UZBEKISTAN</b>		
<b>Uzbek Parliament (Oliy Majlis)</b> Faruha Mukhitdinova, Deputy Speaker Sayora Rashidova, Parliamentary Ombudsman for Human Rights Erkin Vakhidov, Chairman of the Committee on Inter-Parliamentary Relations Aman Alimkjanov, Chief of the Secretariat of Oliy Majlis Fayzullo Abdurakhmanov, Chief of the International Department of the Oliy Majlis Rustam Kasymov, Member of the Committee on Foreign Relations	2000/05/10	

Associations and Individuals	Date	Meeting
<b>Canadian Honorary Consul</b>	2000/05/10	
Alexander Anotonov		
<b>Uzbek Ministry of Foreign Economic Relations</b>		
Elyor Ganiev, Minister		
Rauf Mukhamedov, Deputy Minister		
Valdimir Radjapov, Deputy Minister		
<b>Uzbek Ministry of Foreign Affairs</b>		
Abdulaziz Kamilov, Minister		
Eson Mustafayev, Deputy Minister		
Rustam Tukhtabayev, Deputy Minister		
Ismatullo Fayzullayev, Executing Chief of the America's Department		
Ravshan Nazarkulov, America's Department		
<b>Business Women's Association</b>		
Takjihon Saidikramova, Chair		
<b>Kazakhstan Centre for Conflict Management</b>		
Elena Sadovskaya, Director		
<b>Interlegal/Kazakhstan Civil Foundation, Political and Legal Research</b>		
Sergey Zlotnikov, President		
<b>KRIDI</b>		
Grenada Kurochknina, Chair		
<b>Uzbekistan's Internews</b>		
Karim Bahriev, Lawyer		
<b>Women's Crisis Centre "Sabo"</b>		
Natalya Kurganovskaya, Chair		
<b>United States Agency for International Development (Regional Mission for Central Asia)</b>		
Jennifer Brick, Democracy Specialist		
<b>Uzbekistan Public Education Centre</b>		
Natalya Sekret, Director of Public Relations		

Associations and Individuals	Date	Meeting
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**KAZAKHSTAN**

**Parliament of the Republic of Kazakhstan**

2000/05/11

Zhurmahan Tuyakhai, Speaker of the Parliament, Majilis  
 Nurbakh T. Rustemov, M.P., Secretary of the Committee  
 on International Affairs, Defence and Security of the  
 Majilis

Oralbai Abdukarimov, Speaker of the Senate

Saken S. Seidualiev, Senator, Committee on  
 International Affairs, Defence and Security

**Government of the Republic of Kazakhstan**

Nursultan Nazarbayev, President

Erlan Idrissov, Foreign Minister

**KYRGYZSTAN**

**Government of Kyrgyzstan**

2000/05/12

Askar Akayev, President

Vladimir Silayev, Deputy Prime Minister

**Parliament of Kyrgyzstan**

Abdygany Erkevayev, Speaker of the Legislative  
 Assembly

Altay Borubaev, Speaker of the People's  
 Representatives Assembly

**Ministry of Foreign Affairs**

Muratbek Imanaliev, Foreign Minister

**Bureau on Human Rights and the Rule of Law**

Natalia Ablova, Director

**Canadian Bank Note International, Central Asia Ltd.**

2000/05/13

Chris Mueller, General Manager

**Kumtor Cameco Corporation**

Terry V. Rogers, President

Les Adrian, Vice-President, Environment

# REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the Government table a comprehensive response to this Report.

A copy of the relevant Minutes of Proceedings (*Meeting Nos. 13 and 26*) is tabled.

Respectfully submitted,

Bill Graham, M.P.  
Chair



# MINUTES OF PROCEEDINGS

Thursday, May 31, 2001  
(Meeting No. 26)

The Standing Committee on Foreign Affairs and International Trade met *in camera* at 9:12 a.m. this day, in Room 307, West Block, the Chair, Bill Graham, presiding.

*Members of the Committee present:* Jean Augustine, Bill Casey, Rick Casson, Bill Graham, John Harvard, Stan Keyes, Francine Lalonde, Diane Marleau, Pat O'Brien, Pierre Paquette, Bernard Patry.

*Acting Members present:* Mac Harb for Denis Paradis; John Finlay for Colleen Beaumier; Yves Rocheleau for Pierre Paquette; Gurmant Grewal for Monte Solberg; Judy Sgro for Jean Augustine; Raymond Bonin for John Harvard; Walt Lastewka for Bernard Patry.

*In attendance: From the Library of Parliament:* James Lee; John M. Wright; Peter Berg, Blayne Haggart.

Consideration of Committee reports.

The Committee began consideration of a draft report on the issue of the Quebec Summit and the Free Trade Agreement of the Americas.

It was agreed — That the draft report be adopted on division as the Committee's Fourth Report to the House and that the Chair be instructed to present it to the House.

It was agreed — That the Chair be authorized to make such typographical and editorial changes as may be necessary without changing the substance of the report.

It was agreed — That, pursuant to Standing Order 109, the Committee requests that the Government table a comprehensive response within 150 days to this report.

The Committee began consideration of a draft report on the issue of Canada's economic relations with Europe.

It was agreed — That the draft report, as amended, be adopted as the Committee's Fifth Report to the House and that the Chair be instructed to present it to the House.

It was agreed — That the Chair be authorized to make such typographical and editorial changes as may be necessary without changing the substance of the report.

It was agreed — That, pursuant to Standing Order 109, the Committee requests that the Government table a comprehensive response within 150 days to this report.

The Committee began consideration of a draft report on Canada's foreign policy interests in the South Caucasus and Central Asia.

At 11:40 a.m., the sitting was suspended.

At 12:05 p.m., the sitting resumed.

The Committee resumed consideration of a draft report on Canada's foreign policy interests in the South Caucasus and Central Asia.

It was agreed — That pursuant to Standing Order 108(1)(a), the evidence taken by the Committee on Canada's foreign policy interest in the South Caucasus and Central Asia during the last Session of the previous Parliament, be deemed adduced by the Committee in the current session.

It was agreed — That the draft report, as amended, be adopted as the Committee's Sixth Report to the House and that the Chair be instructed to present it to the House.

It was agreed — That the Chair be authorized to make such typographical and editorial changes as may be necessary without changing the substance of the report.

It was agreed — That, pursuant to Standing Order 109, the Committee requests that the Government table a comprehensive response within 150 days to this report.

At 12:10 p.m., the Committee adjourned to the call of the Chair.

Marie Danielle Vachon  
*Clerk of the Committee*