



IN THIS ISSUE:

Risks of foul play	2
Pawns in the game for power	4



From the Editors

Dear Readers,

We present you with the seventh issue of information-analytical bulletin '*The Kazakhstan insider*'.

In this issue:

What are the risks of using corruption tools in emerging markets by Western corporations? An example of the Italian oil and gas giant ENI. Read about it in an article entitled *Risks of foul play*.

A tragedy at the Kazakh border post. How can the death of 14 soldiers and a gamekeeper affect the balance of power in the political elite? The contradictions in the official version of the event: are they a result of incompetence or malice? This topic is discussed in the article *Pawns in the game for power*.

We would appreciate your comments and suggestions for the next release.

Sincerely yours,

Analytical Department
Open Dialog Foundation



Fundacja
Otwarty Dialog
Ul. 3 Maja 18/4
20-078, Lublin
tel. +48 507 739 025

kz.insider@odfoundation.eu

Risks of foul play

For many Western companies, Kazakhstan is an island of economic and political stability, where one can make money without paying special attention to social responsibility, and even effectively 'stimulate' the resolution of certain matters by informal payments. But sometimes these 'advantages' of doing business may turn against the company, as evidenced by the recent experience of the Italian oil and gas giant ENI.

The ENI's problems arose in connection with the Kashagan oil field, one of the world's largest explored deposits in the last 30 years (with the potential of more than 35 billion barrels of oil), which is being developed by a consortium of companies led by the Italian party.

Ecological irresponsibility

According to the information given by the Kazakh press [1], Agip KCO, a subsidiary of Eni S.p.A, in August 2011 began hydrotesting of pipes in the on-shore facilities of the gas processing plant "Bolashak". But instead of technical water, Agip KCO has used drinking water from the main pipeline As-trakhan (Kigach)-Aktau, by which the company violated the law, and aggravated the already problematic situation of water supply to inhabited localities which are dependent on the pipeline. In addition, according to journalists, the used water was not purified by the adequate treatment plants; instead, it was poured into the sewage system of the town of Atyrau and the nearby lakes. In total, more than 120,000 tons were disposed of into a small natural salt lake with the area of approx. 3-5 acres, located on the eastern border of the 'Bolashak' plant, and 46 thousand tons were poured to the evaporation field of the Atyrau oil refinery.

The disposed water is full of dangerous to human health agents, that poison the soil and the atmosphere. Interestingly, in the water oil was also found, which indicates that the pipes were previously used as these pipes could not have pumped the Kashagan oil. It turns out that the huge production plant in which millions of dollars are invested, could not afford to buy new pipes, and bought used pipes, which increases the probability of technological disaster.

In response to the request of the 'Respublika' news-



paper, which conducted the environmental investigation, no comments from the press service of the Agip KCO have arrived, also, no statements of the government environmental agencies followed. It is still not yet clear as to how this situation will develop and whether the authorities will make an attempt to solve the problem 'quietly' or less formally, just like many problems are solved in Kazakhstan. But such tactics is dangerous for ENI because of the consequences outside the country, as evidenced by the corruption investigation against the company conducted by the Prosecutor's Office in Milan, also, it involves some risks in the context of its participation in the development of the Kashagan field.

Entrance through the English palace

In May, 2012, the Italian newspaper Corriere della Sera published the information that the Prosecutor's Office in Milan suspects the company Eni in giving bribes during the conclusion of the contract on development of the Kashagan field (Spring 2007) [2]. The amount of the bribe was at least 20 million US dollars and the possible receiver was Timur Kulibayev, the son-in-law of the Kazakh President Nursultan Nazarbayev and the head of the Kazakh National Company 'KazMunayGaz', which ranks 5th in the list of the richest people in the country according to 'Forbes' magazine [3].

As stated by the prosecutor [4], a part of these fi-

nancial means was used by Timur Kulibayev for the purchase of Prince Andrew's mansion, known as 'Sunning Hill Park', which currently belongs to Goga Ashkenazy (nee Gauhar Berkaliyeva) [5], the President's son-in-law's mistress. One of the demands put forward by the Prosecutor's Office was to direct a public officer from Italy to Agip Kco for the time of investigation or to forbid the company to conclude contracts in Kazakhstan.

The results of the judicial proceedings in this case has not yet been announced to the media. It is also not known whether N.Nazarbayev's family is going to suffer because of the trial. In the worst case for them the laws of Italy on the international corruption will be put into effect, and, therefore, the whole property in Italy and, possibly, in the European Union will be confiscated. The ENI company have not commented on the corruption scandal.

A growing share of the 'KazMunayGaz'

Due to the fact that the Kashagan oil field is one of the most difficult to develop (the oil contains a high percentage of hydrogen sulphide, which is harmful to all living things, and there is a possibility of formation of ice in the winter, which would complicate the process of oil extraction), in the beginning Astana turned to foreign investors and developers. But now that the major work done, the leadership has decided to tighten its relationship towards the partners.

In particular, actions aimed at increasing the share of participation of the 'KazMunayGaz' in the development of the field, are constantly undertaken. First, the Kazakh court ousted the subsidiary Chevron from the group, sentencing it to pay a fine of several hundred million dollars for causing environmental damage. Later, amid the announcement of the postponement of the start of oil production, the share of the company was increased to the level of share of the Eni company, namely, to 16.81%.

One can predict that the scandals in Kashagan will play into the hands of the leadership of the country, allowing to increase the share of "KazMunayGas", as has been done before as a result of the conflict, which began in 2007 [6].

Also, an increase of the pressure exerted on other foreign corporations in Kazakhstan should be expected because the country is openly going towards full independence in oil development, for example,

it is already planned that 'KazMunayGaz' will independently develop the Nursultan field, which is located near to the Kashagan field. This means that the national company of Kazakhstan has received everything which is necessary for oil production also in other places.

In the early 90's, Kazakhstan, like other republics of the Caspian region, had neither the money nor the technology to produce oil. Therefore, in this industry, a policy of active attraction of foreign investment has been carried out. Now in the republic, the wind is blowing in the direction of independent use of fields (and, therefore, a possibility to independently control the profit). And the tactics of foul play, which had helped in doing business in developing countries, becomes more and more risky.

— — —

Sources:

1. Тайный слив от Аджип ККО / http://www.respublika-kaz.biz/news/polit_process/8778/
2. Commissariare l'Eni in Kazakhstan / http://www.corriere.it/cronache/12_maggio_10/commissariare-eni-in-kazakhstan_cb2c55bc-9a87-11e1-9cca-309e24d49d79.shtml
3. Kazakhstan: Counting the Fat Cats' Millions / <http://www.eurasianet.org/node/65393>
4. E il kazako comprò la casa del principe Andrea «Con tangenti Eni» / http://www.corriere.it/cronache/12_giugno_01/kazako-compro-casa-principe-andrea-con-tangenti-eni-luigi-ferrarella-giuseppe-guastella_957da6b8-aba9-11e1-b908-fbecd0c99c6b.shtml
5. Прокуроры подозревают, что Кулибаев приобрел поместье в Англии на "грязные деньги" / <http://rus.azattyq.org/content/kulibaev-ashkenazi-goga-andrew-/24595555.html>
6. Казахстан получит 10% Карачаганак в обмен на мир / <http://ru.reuters.com/article/businessNews/idRURXE7BD02420111214>

Pawns in the game for power

In Kazakhstan, in peacetime, military men were killed under mysterious circumstances. On the 31st of May, 2011 in the Alakol Region of the Almaty Province, bodies of 14 border guards and a gamekeeper were found [1]. Soon afterwards, their colleague – Vladislav Chelakh was accused of assassinating 15 men and was subsequently arrested on the 5th of June. V. Chelakh was dressed in civilian clothes and carrying the dead commander's gun at the time of his arrest [2].

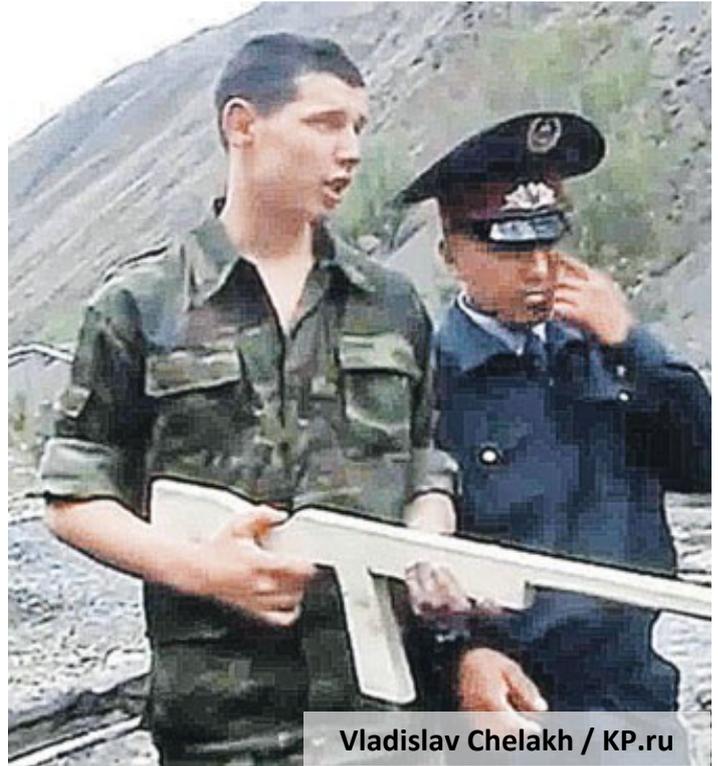
It seemed a consequence of common internal wrangles inside the unit, one could say: an accident, as described by Russian mass media [3] and by the head of the MIA of Kazakhstan [4] immediately after the dreadful event - 'a result of military hazing'. But this tragedy raises too many questions to which,, the official version lacks credible answers.

Too many questions

First, Nursultan Nazarbaev hastened to make a statement which indicated that the incident was both a 'terrorist act' as well as an 'internal conflict' [5]. How can a terrorist attack be a result of an 'internal conflict?', the president obviously failed to explain. This statement could be attributed to the ignorance of the president or to the state of shock in connection with the incident. However, there is good reason to believe that the misleading nature of these remarks should not be attributed to the psychological state of the leader of the nation, which we will examine below.

Secondly, on the 5th of June a state of national mourning was declared in Kazakhstan [6], which is certainly an ordinary tribute of the citizens to the victims. But this fact also attracts attention - why did no one at state level grieve for the victims of the Zhanaozen tragedy or the explosions in Atyrau, Aktobe and Astana? Is this mourning merely a means of drawing attention to what happened? If so, why did the government, which does not usually support the voice in the press in such cases, decide to act differently on this occasion

Thirdly, why were the bodies in the border post, which were destroyed by fire, only found 48 hours after the connection ceased? [7] After all, the murder occurred on a combat outpost. Why was it that throughout these 48 hours no one was interested in



Vladislav Chelakh / KP.ru

what happened on the border of the state? Was it a case of straight forward negligence?

Fourthly, why was the journalist of the 'Channel 31' Vladislav Dlinnov threatened with the initiation of judicial proceedings after refusing to make a statement that the killer of the servicemen and the gamekeeper was Vladislav Chelakh? [8] Of course, the criticism voiced by Dlinnov in his microblog was quite sharp, but not serious enough as to necessitate a trial.

But the main question is this: if the death of 15 people was not an accident, why, then, did the tragedy occur?

To regain the lost positions

As we have stated before [9], the conflict between the two groups of so-called 'doves' and 'hawks' in the circles of Kazakhstan's political elite is quite acute. After the Zhanaozen tragedy and the infamous oppression of opposition activists and journalists, the European Parliament adopted a quite a tough resolution on Kazakhstan [10], which allowed the group of 'doves' (one of the leaders of this group is Nurtay Abykayev, the chairman of the NSC) to take over the initiative for some time. It is possible that the death of the border guards was a good excuse for the 'hawks' (which is associated with A. Musin, the head of the Presidential Ad-

ministration) to regain lost ground in the struggle for power. The Administration of the President, which was in no hurry to declare the state of national mourning after at least 16 civilians were killed in Zhanaozen (according to official figures), has apparently, decided to reinforce the importance of developments at the border post, to 'shift the 'balance' - Nazarbayev - to their side.

Border troops, who became participants in the events, are part of the structures of the National Security Committee of Kazakhstan. The tragedy has attracted media attention to the poverty and neglect of the Kazakh border guard units as well as the outdated technology and equipment of servicemen [11], which struck an additional blow to the reputation of the informal leader of the 'doves'.

Contradictions: incompetence or malice?

A clear indication of the inability of the government to inform the public of the emergency situation or of deliberate manipulation of facts were contradictory in official statements relating to the events which caused the rapid spread of an incredible amount of speculation [12]: initially it was claimed that the military men had consumed excessive amounts of alcohol, and later that traces of alcohol in their blood were not apparent, up to the 4th of June the death toll remained unconfirmed, and very inappropriate comments appeared regarding to the report that the gamekeeper was dressed in lingerie [13].

Moreover, for every careful observer the confusion in the story of Chelakh becomes apparent. In the first report about him it was stated that he returned to the border post by himself. Later, the architects of version of the '19-year-old maniac' under public pressure changed their testimonies, and decided to present the world with a new version of events: after all, it is somewhat illogical to go back into the hands of justice after committing a successful crime. Immediately the press reported that Chelakh was found 25 kilometers from the outpost. The authorities were 'consistent' as to the place of the killing of the gamekeeper and the issue of equipment owned by the commander of the border guard who survived [14].

It is important to note that the on the 4th of June, when 'Chelakh's case' practically blew up the information space of Kazakhstan, the court issued a ruling on the case regarding the riots in Zhanaozen

[15].

The sentence was much harsher in relation to the oil workers who were not afraid to claim that torture and pressure were exerted on them during the investigation. In this case, the tragedy at the border post has become a very advantageous opportunity to divert public attention from the injustice of the sentences, and finally put an end to the process, which had been ongoing since the 27th of March.

The price of human life

Even if the killing of 15 innocent people was not the fault of the 'hawks' and was not performed according to the direct orders 'Musin's group', it was very good ammunition used in the fight with the 'doves'. If the truth about what happened on the 'Gornyi' border post is not discovered, it is very likely that the group of 'doves' will retaliate.

At the same time, that fact that hard-line supporters are gaining momentum again can be proven by detentions of opposition leaders, which began almost immediately after the tragedy. On the 2nd of June, Kairat Erdybaev Galym Ageleuovfor, civil activists, were detained for 'participation in an unsanctioned rally' [16], and on the 15th of June, a theatre director Bolat Atabayev and a young journalist and an opposition politician Zhanbolat Mamay were detained [17]. And this is just the tip of the iceberg in terms of civil rights violations in Kazakhstan. For example, in the office of the human rights activist Bahtyzhan Tregozhina, a listening device was found [18], The prison cells of Vladimir Kozlov and Serik Sapargali have also been searched.

It should be stated that this time Nazarbayev may very well be speaking the truth. The tragedy is the result of 'internal conflict'. But it was not a conflict within the border guard unit, but one within the so-called 'political elites' of Kazakhstan.

The conflicts between the elites are an everyday and normal occurrence, even in the most democratic countries. But they cease to be such when, in the apt definition of the Kazakh political emigrant Yerzhan Dosmukhamedov [19] *"people become pawns in the game for power and innocent people suffer"*.

Sources:

1. На заставе в Алматинской области мертвыми найдены пограничники / <http://rus.azattyq.org/content/news/24598736.html>
2. Казахстан: гибель пограничников на погранзаставе в Алматинской области / http://www.odfoundation.eu/ru/urgents/854/kazahstan_gibel_pogranichnikov_na_pogranzastave_almatinskoy_oblasti
3. Нашли виноватого / <http://m.rambler.ru/news/world/14160030/>
4. Глава МВД указывает на неуставные отношения как наиболее вероятную причину гибели пограничников / <http://www.vlast.kz/?art=505>
5. Назарбаев расценил гибель пограничников как теракт / <http://lenta.ru/news/2012/06/01/terakt/Printed.htm>
6. Назарбаев объявил траур по погибшим пограничникам / <http://rus.azattyq.org/content/news/24602943.html>
7. В Казахстане вновь пролилась кровь / <http://www.respublika-kaz.info/news/society/23248/>
8. Медиаскандал из-за ЧП на погранпосту / <http://www.gazeta.ru/social/2012/06/07/4616797.shtml?incut2>
9. The Kazakhstan insider, Vol. 6 / http://odfoundation.eu/files/kz_insider/ODF_KZinsider_Vol6_RU.pdf
10. European Parliament resolution of 15 March 2012 on Kazakhstan / <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2012-0089+0+DOC+XML+V0//EN&language=EN>
11. Погранотряд в Ушарале защищён «дикобразом» / <http://rus.azattyq.org/content/usharal-kazakh-border-guard-service/24610768.html>
12. Политолог: Трагедия на "Арканкерегене" выявила слабые стороны в информационной работе силовиков / <http://www.ca-news.org/print:997611/>
13. Дело о ЧП на казахстанской границе готовят к суду / <http://republic.com.ua/article/25612-Delo-o-ChP-na-kazahstanskoy-granice-gotovYat-k-sudu.html>
14. Заговорит любой, даже если это собака / <http://www.respublika-kz.info/news/society/23311/>
15. Report on Kazakhstan: Aktau judicial proceedings and defendants' testimonies of torture, inflicted upon them during investigation / http://www.odfoundation.eu/files/%D0%96%D0%B0%D0%BD%D0%B0%D0%BE%D0%B7%D0%B5%D0%BD/ODF_courts_Zhanaozen_maket_EN_final.pdf
16. Ертебаев и Агелеуов вышли из-под ареста / <http://rus.azattyq.org/archive/news/20120617/360/360.html?id=24616933>
17. Арест Атабаева и Мамаев - акция устрашения / <http://www.respublika-kaz.info/news/politics/23318/>
18. КНБшный жучек в офисе Торегожиной / <http://www.youtube.com/watch?v=KoNYpFpABuc>
19. В Казахстане вновь пролилась кровь / <http://www.respublika-kaz.info/news/society/23248/>



OPEN DIALOG

Open Dialog Foundation - was established by people who think that European values – personal freedom, human rights, democracy and self-government – are more than just a declaration, but the daily reality for the 21st century people. The main fields of activities of the Foundation are protection of human rights, a wide international policy, support and development civil society activities and educational programs. The goal is building understanding and trust between EU and other countries. The mission of the Foundation is sharing polish experience of transformation and democratic development with our partners from abroad, in particular with those from the East (mainly from Ukraine, Russia and Central Asia).

Website: www.odfoundation.eu

Address: 3 Maja Str. 18/4, 20-078 Lublin, Poland

Tel. / Fax:: + (48) 507 739 025

E-mail: odfoundation@odfoundation.eu