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THE RUSSIAN FEDERATION, CENTRAL ASIA AND THE CAUCASUS

Overview

In Russia, 2003 was the final year of President Vladimir Putin's first term in office. In December, State Duma (lower house) elections were held and "United Russia," the party supporting the president, won an overwhelming victory. In the presidential election held in March 2004, President Putin was reelected with the overwhelming support of his nation, and the support of the people for the previous policies of the president was confirmed.

In 2003, Japan continued to strive for the conclusion of a peace treaty with Russia through the resolution of the issue of where the Four Northern Islands belong, thereby realizing full normalization of relations with Russia. In particular, under the basic policy of moving peace treaty negotiations forward while advancing Japan-Russia cooperation in a wide range of fields and building trustful relations through the steady realization of the Japan-Russia Action Plan adopted on the occasion of the visit to Russia by Prime Minister Junichiro Koizumi in January, Japan-Russia cooperation in a wide

range of fields, such as cooperation in the energy sector, cooperation in the international arena including the Korean Peninsula issue, and cooperation for denuclearization, was advanced.

Japan continued to implement its assistance for Russia and for the residents of the Four Northern Islands, under a new framework after taking measures to increase transparency and further ensure fairness, even after the abolition of the Cooperation Committee in April 2003.

The countries of Central Asia and the Caucasus¹ have been independent for 12 years and each is making efforts to build its nation. With the understanding that the stability of these countries has a direct impact on the stability of not only the peripheral countries on the Eurasian continent but also East Asia, Japan is working for a further enhancement of relations based on results achieved so far and taking into account changes in the strategic environment in the region.



Prime Minister Junichiro Koizumi attending talks with President Vladimir Putin of Russia (October Photo: Office of the Cabinet Public Relations, Cabinet Secretariat)

¹ The five countries in Central Asia are Kazakhstan, Kyrgyz, Tajikistan, Turkmenistan and Uzbekistan; the three countries in the Caucasus are Armenia, Azerbaijan and Georgia.

1	Russia
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(a) Japan-Russia Relations

Deepening of Political Dialogue

Close political dialogue was carried out between Japan and Russia in 2003. At the summit level, Prime Minister Koizumi visited Russia in January and held a summit meeting with President Putin, and the two leaders adopted the Japan-Russia Action Plan outlining previous cooperation

and the future direction for cooperation between Japan and Russia in a wide range of fields. In addition, the two leaders exchanged views about wide-ranging Japan-Russia cooperation at the 300th anniversary of St. Petersburg in May, at the Japan-Russia Summit Meeting on the occasion of the Asia-Pacific Economic Cooperation (APEC) Economic Leaders' Meeting in Bangkok in October and in telephone talks in September. Prime

Six Pillars of the Japan-Russia Action Plan



Minister Mikhail Mikhaylovich Kasyanov of Russia visited Japan in December, the first Russian prime minister to do so in five years, and held talks with Prime Minister Koizumi, Minister for Foreign Affairs Yoriko Kawaguchi and others. In addition, the leaders issued the Joint Statement, which gave an overview of the steady implementation of the Action Plan over the previous year, primarily in the economic field.

Foreign ministerial-level meetings were also frequently carried out throughout 2003. As can be seen from the succession of visits by top Russian officials to the Russian Far East, there is a tendency toward increased interest in the region within Russia. For Japan's part, following Prime Minister Koizumi's visit to the Russian Far East in January, Foreign Minister Kawaguchi became the first Japanese foreign minister to visit Vladivostok in the Russian Far East in June and held with Deputy Prime Minister Viktor Borisovich Khristenko the Co-chair Persons' Meeting of the Japan-Russia Inter-governmental Commission on Trade and Economic Issues. In addition, close exchanges of opinions were carried out concerning broad international situations, including the situation on the Korean Peninsula and the situation in Iraq, using the opportunities of the G8 Foreign Ministers' Meeting in Paris in May, the UN General Assembly in New York in September and five telephone conversations between the two foreign ministers.

Peace Treaty Negotiations

On the occasion of Prime Minister Koizumi's visit to Russia in January 2003, both leaders confirmed their

political will to conclude a peace treaty as soon as possible through resolution of the issue of where the Four Islands belong, thus fully normalizing relations, and agreed to accelerate negotiations to that end, including negotiations at the summit level.

Also, the Japan-Russia Action Plan clarifies the foundation for advancing peace treaty negotiations in the future, enumerating the documents that serve as the substantial basis for resolving the issue of where the Four Islands belong: the 1956 Japan-Soviet Joint Declaration,² the 1993 Tokyo Declaration³ and the 2001 Irkutsk Statement.⁴

As a result, on the occasion of the Japan-Russia Summit Meeting in May, the leaders confirmed that they would cooperate toward the resolution of the territorial issue and the conclusion of a peace treaty as they develop Japan-Russia relations through their steady implementation of the Action Plan and increase the sense of trust between the two countries. At this summit meeting, President Putin stated that Russia had a strong desire to solve this issue and did not think this issue should be put off. In the Japan-Russia Summit Meeting in October, the leaders confirmed that they would give further impetus to consultations by experts. In addition, on the occasion of the visit of Prime Minister Kasyanov to Japan in December, the Joint Statement was issued and both sides confirmed that it was important to actively continue peace treaty negotiations based on the various agreements achieved between the two countries, as they develop bilateral relations in all fields.

² After the Soviet Union refused to sign the San Francisco Peace Treaty, Japan and the Soviet Union negotiated a separate peace treaty from June 1955 through October 1956, but there was no sign of an agreement being reached over the Northern Territories issue except in regard to Shikotan and Habomai Islands. As a result, the Japan-Soviet Joint Declaration was signed on October 19 to end war between Japan and the Soviet Union and to restore bilateral diplomatic relations. (The declaration was ratified in the assemblies of both countries.) Article 9 of the declaration stipulates that Habomai and Shikotan will be handed over to Japan after the conclusion of a peace treaty, and that Japan and the Soviet Union will continue peace treaty negotiations.

³ Main points of the 1993 Tokyo Declaration:

(1) The territory issue is defined as referring to the attribution of the Four Islands comprising the Northern Territories, specifically identified as Etorofu, Kunashiri, Shikotan and Habomai Islands.

(2) The declaration clearly states that the attribution of the Four Islands will be resolved, a peace treaty concluded and bilateral relations fully normalized, in that order.

(3) Clear negotiation guidelines are set down, namely that the Northern Territories issue will be resolved: (a) on the basis of historical and legal facts; (b) based on the documents produced with the two countries' agreement; as well as (c) on the principles of law and justice.

(4) It was confirmed that the Russian Federation is the State retaining continuing identity with the Soviet Union and that all treaties and other international agreements between Japan and the Soviet Union will continue to be applied between Japan and the Russian Federation.

(5) The declaration recognizes the necessity of overcoming the "legacy of totalitarianism" and the "difficult legacies of the past in the relations between the two countries"

⁴ In the 2001 Irkutsk Statement, Japan and the Russian Federation confirmed that the 1956 Japan-Soviet Joint Declaration is the fundamental legal document establishing the starting point for the negotiation process over the issue of the conclusion of a peace treaty after the restoration of diplomatic relations between the two countries, and then agreed to promote negotiations to conclude a peace treaty through the resolution of the issue of where the Four Islands belong based on the 1993 Tokyo Declaration, thus fully normalizing relations between Japan and Russia.

Joint Statement on the Official Visit to Japan by Chairman of the Government of the Russian Federation Kasyanov (Outline)

(Released December 16, 2003)

- Overlooked the steady implementation of the Japan-Russia Action Plan. Chairman Mikhail Mikhaylovich Kasyanov's visit to Japan vitalizes the realization of the Japan-Russia Action Plan.
- Pointed out the significance of establishing a Japan-Russia Eminent Persons' Council.
- Decided to continue actively negotiations on a peace treaty, based on various agreements already achieved between the two countries, in developing their bilateral relations in all areas.
- Expansion of trade and investment between the two countries this year. Increasing interest shown by Japanese business circles toward the Russian market. Continue to realize measures to strengthen trade and economic relations.
- Decided to establish a Japan-Russia Trade and Investment Promotion Organization at an early time after April 2004.
- Confirmed the common understanding on the importance of progress in cooperation concerning development and transportation of energy resources in East Siberia and the Far Eastern regions, and in particular the construction of an oil pipeline to the Pacific coast of the Russian Federation. Positively evaluated progress of consultations by experts of oil pipeline construction, and expressed their intention to vigorously continue these discussions.
- Welcomed the smooth implementation of the Sakhalin oil gas project (Sakhalin-1 and Sakhalin-2) and the vitalization of trade relations between Japan and Russia.
- Japan called on Russia for its early ratification of the Kyoto Protocol for the second time.
- Decided to continue efforts for the further development in exchanges in the area of science and technology.
- Welcomed advancement in research concerning the disposal of surplus weapons-grade plutonium. Close cooperation for the steady realization of the International Thermonuclear Experimental Reactor (ITER) Plan.
- Emphasized the importance of cooperation for denuclearization. Achieve transparency and deepen mutual understanding as well as cooperation through the implementation of projects related to the dismantling of decommissioned nuclear-powered submarines of Russian Pacific Fleet.
- Decided to continue with joint efforts to conclude a new Japan-Russia Air Transportation Agreement as soon as possible.
- Enhancement of Japan-Russia relations and deepening trust between the two countries are promoted through the smooth implementation of a framework agreement concerning operations of Japanese fishing vessels in waters around the Four Northern Islands.
- Highly evaluated the role of cooperation between relevant authorities of Japan and Russia in the crackdown on illegal fishing and export of marine products by Russian ships, and expressed their intention to further promote working-level contacts.
- Decided to continue efforts to expand trade, economic and human exchange between Siberia and the Far Eastern regions of Russia and the prefectures in Japan. Consider intra-regional cooperation through the participation of Japan Centers in Far Eastern regions and the Japan-Russia Trade and Investment Promotion Organization. Decided to continue considering ways to further relations between Japan and Sakhalin.
- Pointed out that Japanese humanitarian assistance to residents of the Four Northern Islands is beneficial. Russia expressed appreciation for assistance provided until now.
- Reaffirmed the importance of Russia's early accession to the WTO. Supported taking vigorous action in order to reach agreement on bilateral negotiations regarding conditions for WTO accession at an early date.
- Strengthen cooperation in order to increase the efficiency of activities of Japan Centers. Strengthen cooperation for the steady implementation of the program on training managers and executives for enterprises and the program on training public employees in Russia.
- Expressed satisfaction with expanded cultural and human exchanges between Japan and Russia. Highly evaluated the deepening of mutual understanding as a result of "Japanese Culture Festival in Russia 2003."
- Positively evaluated the activities and role of the Japan-Russia Youth Exchange Committee and expressed preparation to support further and encourage activities of the committee.

Japan-Russia Economic Relations

Economic relations between Japan and Russia are improving along with the strongly performing Russian economy, in particular with the development of cooperation in the energy sector in the background. For example, the trade volume in 2003 increased 31.3% over the previous year (the value of exports to Russia increased 72% over the previous year) and direct investment in Russia was 2.7 billion yen in 2002, much higher than the previous year (400 million yen).

At the governmental level, on the occasion of the Co-chair Persons' Meeting of the Japan-Russia Inter-Governmental Commission on Trade and Economic Issues in June, an exchange of opinions was carried out concerning Japan-Russia cooperation in the trade and economy field, such as the Sakhalin Projects, the Pacific Pipeline Project, and the establishment of the Japan-Russia Trade and Investment Promotion Organization. And on the occasion of the visit of Prime Minister Kasyanov to Japan in December, the Joint Statement

was issued, giving an overview of the achievements since the adoption of the Japan-Russia Action Plan, and the Memorandum on the Establishment of the Japan-Russia Trade and Investment Promotion Organization was adopted, confirming that the organization would be established at an early time after April 2004. Also, the Joint Press Release was issued, stating that the two countries would continue the discussions concerning the issue of illegal fishing and export of marine products by Russian ships. During his visit to Japan, Prime Minister Kasyanov and major Russian business officials exchanged opinions with Japanese economic leaders about the possibilities for expanding economic exchange between Japan and Russia.

In the energy field, concerning the Sakhalin Projects, the Sakhalin II project owners decided in May to invest approximately US\$10 billion in the second phase and this and other developments have led to a revitalization of business related to the project. Concerning the Pacific Pipeline Project, consultations are under way between Japanese and Russian experts in the three fields of exploration and development of deposits in east Siberia, the detailed F/S (feasibility study)⁵ of the pipeline, and financing for the pipeline.

As a measure to support economic reforms undertaken in Russia, Japan has implemented through its seven Japan Centers in Russia various projects in areas where the needs of Russia are greatest (courses related to management, training in Japan, Japanese-language courses and so on), and carried out projects (business matching and so on) to promote Japan-Russia economic exchange utilizing the results of technical cooperation.

Cooperation between Japan and Russia in Other Various Areas

Exchanges between Japan and Russia in the fields of defense as well as culture and public relations further developed in 2003. In the areas of security dialogue and defense exchange, top level mutual visits, such as Minister of State for Defense Shigeru Ishiba's visit to Russia in January, and Defense Minister Sergei Ivanov's return visit to Japan in April, were realized. On the latter occasion, Japan received from the Russian side an invitation to participate in its military exercises, and

vessels of the Japanese Maritime Self-Defense Force (MSDF) participated in the large-scale military exercises carried out in the Russian Far East region in August. This participation serves as a visible example of cooperation in the realization of the Japan-Russia Action Plan. Also in July, Commander of the Russian Far East Military District Colonel-General Yuri Yakubov visited Japan for the first time, and MSDF vessels visited Vladivostok in September, held goodwill ceremonies and implemented joint search and rescue exercises. In the area of exchange between law enforcement authorities, Commandant of the Japan Coast Guard Kenichi Fukaya visited Russia in November.

In the area of culture and public relations, the Third Japanese-Russian Forum was held with the participation of Japanese and Russian experts in Irkutsk in September, which was jointly organized by the National Institute for Research Advancement (NIRA), Russia's Center for Strategic Studies, and the Irkutsk regional administration. The three themes of the forum were cooperation in the economic and investment fields, partnership in the energy and environment fields and deepening of mutual understanding and dialogue. And given the fact that 2003 was the 300th anniversary of the founding of St. Petersburg, based on an agreement between the two leaders, more than 120 various events introducing Japanese culture were held with great success throughout Russia, with the participation of private sector organizations and groups, under the title Japanese Culture Festival in Russia 2003.

(b) Russian Domestic Politics and Economy

Russian Domestic Politics

In Russia, State Duma elections were held in 2003 and thus each of the political forces showed a variety of movements toward the elections. The elections were held in December and "United Russia," the party supporting President Putin, won a huge victory while all the opposition parties, such as the Communist Party and Union of Right-Wing Forces, suffered crushing defeats. As a result, in the new State Duma, "United Russia" holds more than two-thirds of the seats and has become an overwhelming force.

⁵ A feasibility study means verification of whether an individual project is suitable for implementation along technical, economic, social, environmental and other lines and formulation of the most appropriate project plan.

Major Events of the Japanese Culture Festival in Russia 2003

Apr 20–21	Opening ceremony (St. Petersburg)	Donation of 1,000 sakura seedlings, Tsugaru shamisen concert, Japanese drum concert by Tokyo Dagekidan. Senior Vice-Foreign Minister Yano attends each event.
Apr 23–24	Concert by NHK Symphony Orchestra (Moscow, St. Petersburg)	Beethoven piano concerto conducted by Charles Dutoit, performance of <i>Ceremonial-An Autumn Ode</i> by Toru Takemitsu.
May 27–28	Japan Traditional Exhibition – Noh performance by Rokuro Umewaka (St. Petersburg)	Performance of noh's <i>Tsuchigumo</i> and kyogen's <i>Urinusubito</i> at Smolny Cathedral. Turn out of approximately 2,500 people over two days.
May 19–Jul 3	Japanese performing arts (Japanese Season in Russia) (Moscow)	General Artistic Director Tadashi Suzuki of Shizuoka Performing Arts Center's rendition of play <i>Cyrano de Bergerac</i> , Hideo Kanze's rendition of noh's <i>Kagekiyo</i> and gagaku and modern dance performances.
Jun 12–24	Kabuki performance (Ganjiro Nakamura, Chikamatsuza) (Moscow, St. Petersburg)	Ganjiro Nakamura of Chikamatsuza's rendition of <i>Sonezaki Shinju</i> is a sellout everyday, airing on Russian and CIS TV and watched by approximately 20 million people.
Jun 22, 24	Japan Traditional Exhibition – Gagaku performance by Hideki Togi (Moscow, St. Petersburg)	Three-part exhibition consisting of Russian music by Japanese musicians, gagaku and original music by Hideki Togi is performed.
Aug 9–10	21st century Japan-Russia Exchange Festival (Khabarovsk)	Many musicians representing Japan, including sisters Saori Yuki and Sachiko Yasuda, Kosetsu Minami, Himekami, and Da.KT, make appearances and approximately 35,000 people turn out.
Sep 5–9	Ikenobo flower arrangement demonstration (Moscow, St. Petersburg)	Headmaster Sen'ei Ikenobo conducts flower arrangement demonstration at the Kremlin and other places.
Oct 16–18	Hiroshima Week in St. Petersburg (St. Petersburg)	Concert is conducted jointly with Hiroshima Symphony Orchestra and Japanese drum soloist Eitetsu Hayashi, and the performance of Kagura music is also conducted.
Oct 16–19	Kendo and kobudo demonstration (Moscow)	Workshop on kendo and kobudo as well as a kendo tournament are held with sponsorship from the Japan Foundation. A total of 100 people participate in the workshop, 100 people participate in the tournament, and 300 people are in the audience.
Fall 2003–Mar 2004	Japan Film Festival (Moscow, St. Petersburg, Khabarovsk, Vladivostok, Yuzhno-Sakhalinsk)	Popular new film <i>Waterboys</i> , <i>Everybody's House</i> , <i>Rendan/Quartet for Two</i> , <i>Kazahana</i> , etc. and four Yukio Mishima films are shown.
Feb–Mar 2004	Contemporary dance (Moscow, St. Petersburg)	Contemporary dance performance by H.Art Chaos is held under the sponsorship of the Japan Foundation.
Mar 2004	Noh performance commemorating 300th anniversary of St. Petersburg (Moscow, St. Petersburg)	Noh performance by Otoshige Sakai at well-known Russian theatres Bolshoi and Mariinsky with full-scale noh stage.
Mar 2004	Shigeyama kyogen performance (Khabarovsk, Vladivostok)	Performance of signature kyogen plays <i>Boshibari</i> and <i>Susugikawa</i> featuring Sennojo Shigeyama.

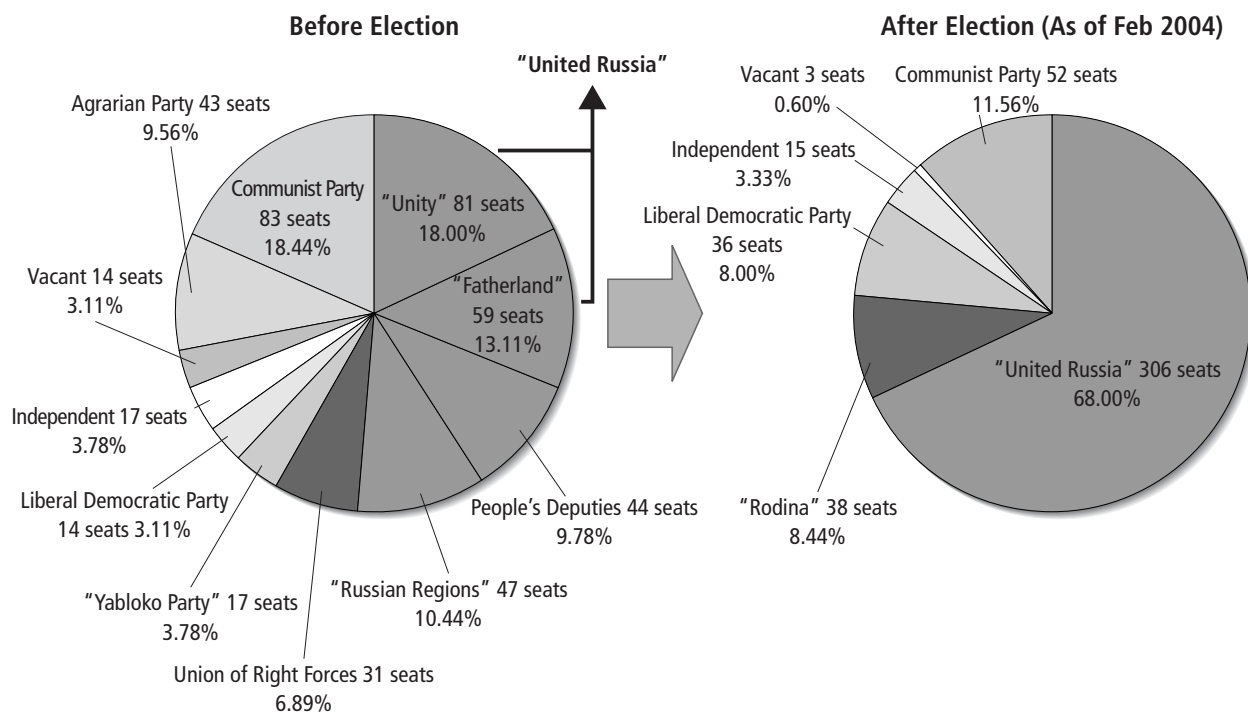
In relation to the arrest in October 2003 of Mr. Mikhail Khodorkovsky, president of the Russian oil giant Yukos, there were political effects such as the resignation of Chief of Staff of the Presidential Executive Office Alexander Voloshin, who had played an important role within the administration since the era of former president Boris Yeltsin.

With regard to the Chechen issue, which is one of the greatest challenges of internal politics facing the Russian government, the new constitution for the Chechen Republic was adopted through a local referendum in March 2003. Based on this new constitution, the new president of the republic was elected in

October. The Chechen Republic has plans to rebuild its systems, such as parliamentary elections, but resistance from armed forces including terrorist incidents even involving citizens, continue unabated and no resolution to the conflict is in sight.

President Putin removed Prime Minister Kasyanov from office at the end of February 2004, immediately before the presidential election, and appointed Representative of the Russian Federation in the European Union Commission Mikhail Fradkov to the post in March, reshuffled the Cabinet, and carried out a wide-ranging reorganization of government structures. After that, in the presidential election held on March 14,

Division of Power in the Duma of the Russian Federation



Note: "Unity" and "Fatherland-All Russia" merged to become the ruling party "United Russia" in December 2001, but have been independent factions within the Duma.

President Putin was reelected with a 71% of the vote, and the second Putin administration started.

Russian Economy

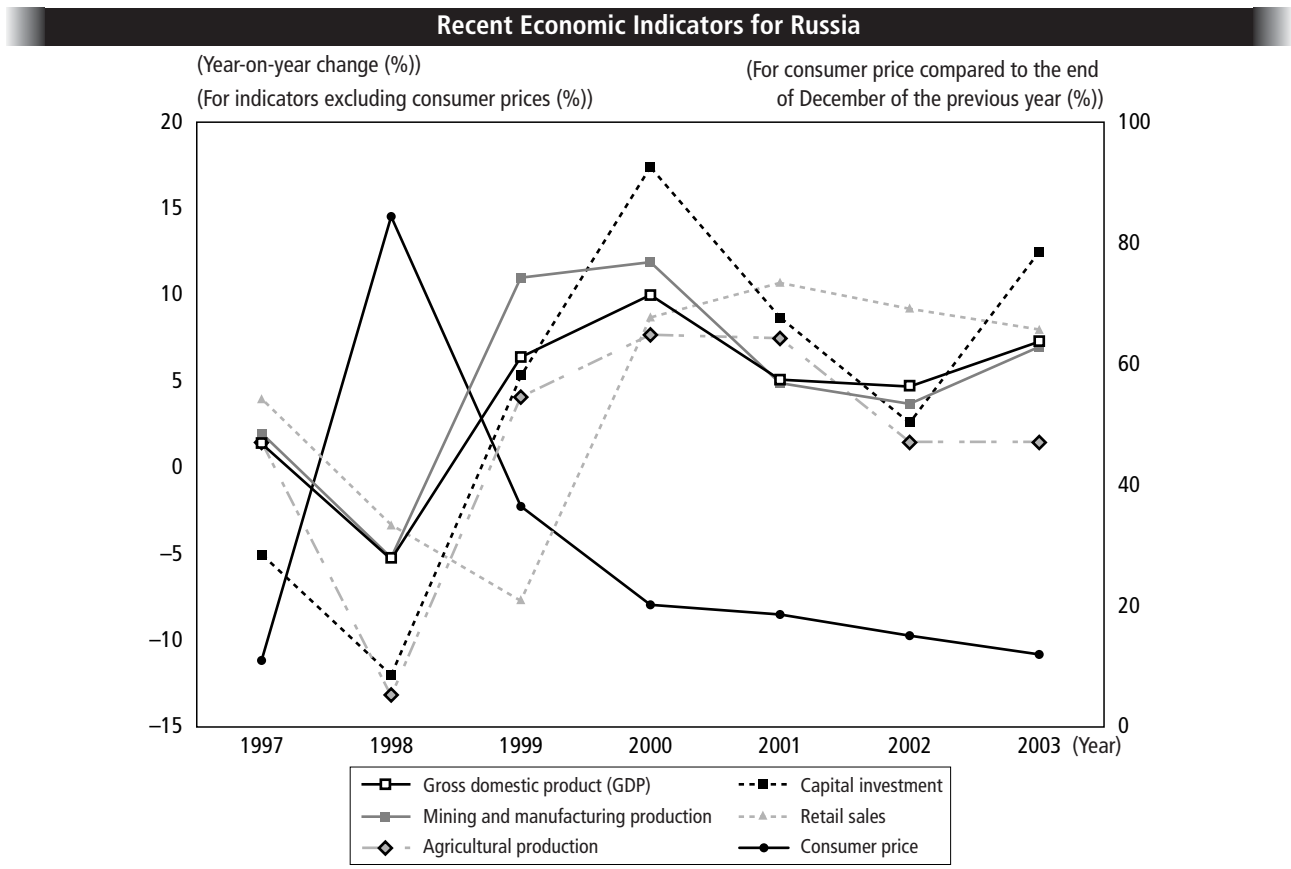
The Russian economy in 2003 became stronger than in the previous year, characterized by the consistently high global price of oil, and GDP showed high growth of 7.3% over the previous year. Major indices such as mining and manufacturing production, capital investment and disposable income all showed high growth. On the other hand, the rate of inflation remained at about 12%, the lowest level since reforms toward a market economy had begun. In line with this strong economic performance, President Putin in his statement to the Federal Assembly in May set as goals for the government, the doubling of GDP over the next ten years and the eradication of poverty, and called for positive economic policies.

Russia also continued its efforts toward economic reform such as developing a series of laws for the reform of state-owned monopolies in electric power and other areas. Moreover, active negotiations were carried out toward the serious issue of the accession of Russia to the WTO, but the goal of accession during 2003 was not achieved and was postponed until 2004 at the earliest.

(b) Russia's Foreign Relations

President Putin continued to carry out vigorous summit-level diplomacy in 2003. In particular, he invited the leaders of the G8 countries, the European Union (EU) countries, the Commonwealth of Independent States (CIS) countries, China, India and others to the 300th anniversary of St. Petersburg at the end of May and took advantage of that opportunity to hold a series of summit meetings, such as the summit meeting with Japan, the EU-Russia Summit Meeting, and the US-Russia Summit Meeting.

Concerning the Iraq issue, Russia together with France and Germany strongly opposed the movement toward the use of military operation against Iraq by the US and other countries, which deteriorated relations with the US temporarily. However, Russia subsequently made efforts to mend relations and at the US-Russia Summit Meeting in June, both countries emphasized that the differences in their positions over the Iraq issue would not affect their good relations. Meanwhile, concerning the construction of a nuclear power station in Iran by Russia, Russia remains determined to advance the construction despite US demands that the project be abandoned, and this has become an issue of concern between the two countries.



In respect to relations with China, President Hu Jintao visited Russia for the first time as president in May and the leaders confirmed that they would continue to strengthen the strategic partnership between the two countries. Concerning the North Korean nuclear development issue, Russia has always taken a position of active involvement and has been trying to raise its profile as one of the member countries in the Six-Party Talks.

For relations with the CIS countries, the Treaty on

Collective Security⁶ was institutionalized in April to strengthen cooperation among the parties and it was agreed to establish an integrated military headquarters and secretariat. Four countries—Russia, the Ukraine, Belarus, and Kazakhstan—agreed to establish a “single economic zone” on the occasion of the CIS summit meeting in September and they have been subsequently carrying out concrete consultations toward its establishment.

⁶ Signed in 1993, there are currently six states parties (Russia, Belarus, Armenia, Kazakhstan, Kyrgyz and Tajikistan).

2 Central Asia and the Caucasus

Since their independence, the Central Asian and Caucasus countries have all advanced democratization and the transition to market economies, while facing political and economic hardships. Now, 12 years having passed since independence, their political and economic systems and performances have been diversifying. In many of the Central Asian and Caucasus countries, leaders from the Soviet-era have been heading administrations even after independence, but a new generation of leaders has appeared as in Azerbaijan and Georgia. In the economic field, economic disparities are continuing to grow due to factors such as the presence or absence of energy resources.

The Central Asian and Caucasus countries are characterized by a peculiar geopolitical condition of being a region that borders Russia, China, Southwest Asia and the Middle East, and are blessed with abundant energy resources. As such, the stability and development of this region is extremely important for the stability and prosperity of the entire Eurasian continent. From this perspective, Japan considers important the advancement of democratic nation-building aimed at stability and market economy reforms in these countries and has made efforts to strengthen relations under the three pillars of: (1) political dialogue; (2) economic cooperation

and resources development cooperation; and (3) cooperation for peace.

Currently major changes in the strategic environment surrounding these countries have been seen, such as the stationing of US troops in Central Asia and the movements of Russia and China. Taking this situation into account, it is important for Japan, as a responsible member of the international community, to contribute to the stability of the entire Central Asian and Caucasus region and the Japanese government's policy is to continue to work to strengthen relations with the Central Asian and Caucasus countries in the future.

Japan opened the Embassy of Japan in Kyrgyz Republic in January 2003, Japan's fourth foreign mission in Central Asia, and carried out vigorous high-level exchanges, including the visit by Parliamentary Secretary for Foreign Affairs Shinako Tsuchiya to Uzbekistan and Kyrgyz (January), the visit by Senior Vice-Minister for Foreign Affairs Tetsuro Yano to Kazakhstan and Azerbaijan (February), the visit by President Emomali Rahmonov of Tajikistan to Japan (March), the visit by former Prime Minister Yoshiro Mori to Kazakhstan (June), and the visit by Foreign Minister Sodik Solihovich Safaev of Uzbekistan to Japan (December).



Parliamentary Secretary for Foreign Affairs Shinako Tsuchiya meeting with President Askar Akaevich Akaev of Kyrgyz on the occasion of the opening of the Embassy of Japan in Kyrgyz Republic

Concerning the regional situation in 2003, the change of administration in Georgia is especially notable. Georgia is in a strategically important position for transporting the energy resources of the Caspian Sea to Europe and other destinations. While it has adopted a pro-Western policy, for example it has been aiming for NATO accession, it has tense relations with Russia over the Abkhazia issue and over armed groups seeking independence in the Russian Federation's Chechen Republic which borders Georgia. Parliamentary elections held at a time when public dissatisfaction with corruption within the administration and economic stagnation was rising (November) led to impeachment of the administration by the opposition parties and finally President Eduard Shevardnadze resigned. In the presidential election held in January 2004, the joint candidate of the opposition parties Mikhail Saakashvili was elected by an overwhelming majority and this result was welcomed by major countries. For example, the Organization for Security and Co-operation in Europe (OSCE), which

dispatched an international election observation mission (including election observers from Japan), evaluated the election as having shown striking improvement in all respects compared to the November elections. It was the first case in Central Asia and Caucasus countries that a campaign by opposition power resulted in a change of administration like this without any bloodletting and it was an epochal event for the entire region.

Additional notable events were a change of administration in Azerbaijan (President Heydar Aliyev was struck by illness (and subsequently died), and in the presidential election in October his son Mr. Ilham Aliyev was elected), and the new opening of a Russian air force base in Kyrgyz, while US troops have been stationed in Kyrgyz since 2001.

As a movement in regional cooperation it is notable that Kazakhstan, along with Russia, the Ukraine and Belarus, agreed to the establishment of a single economic zone (February).