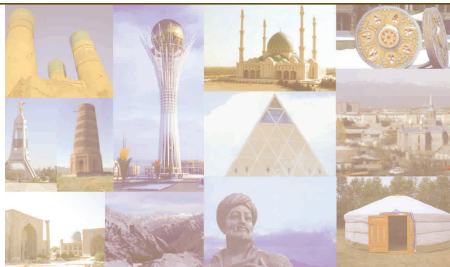


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CASA ASIA



KYRGYZSTAN

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Highlights

On 1 December Kyrgyzstan saw the peaceful transfer of presidential power for the first time in its twenty years as an independent country. It should be noted that this was an unprecedented phenomenon in the entire Central Asian region as the office of the head of state saw a voluntary change of holder as a result of an election that was recognized by the international community.

Following the inauguration of President Atambayev, changes in the parliamentary coalition and composition and structure of the government occurred and a parliamentary majority secured the resignation of the Speaker of Jogorku Kenesh (parliament).

The transit centre at Manas international airport - an important part of the northern route of delivery of NATO forces into Afghanistan - recently celebrated its ten-year anniversary. The anniversary coincided with the Russian suppliers becoming more active and prominent in supplying fuel for the centre and promises by the new President to shut down this military base in 2014.

Internal affairs

The inauguration of Almazbek Atambayev on 1 December completed the peaceful transfer of power in the country where political and governance bodies have now been fully formed. Judiciary reform, initiated in 2010, is yet to be completed and is expected to require far more time and effort than originally projected.

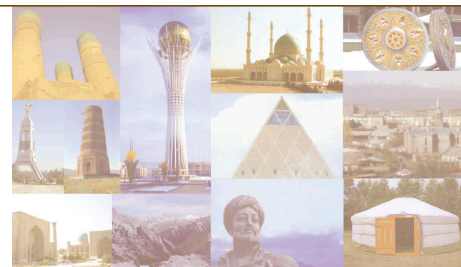
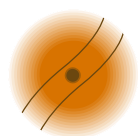
The most intriguing aspect of the presidential inauguration was the decision of Georgian President

Mikhail Saakashvili to accept the invitation from the Kyrgyz authorities to attend the inauguration, resulting in the cancellation of visits by high-ranking Russian officials. Not only did the Georgian President attend the official events as part of his visit, but he also delivered a public lecture at the American University of Central Asia located in Bishkek. The lecture itself and subsequent publications in local media triggered vast interest and discussions insofar as economic and financial reforms in Georgia, as well as the former USSR republic's achievements in terms of mitigating corruption, have become an example to follow for Kyrgyz politicians.

In his inaugural speech, President Atambayev stressed the need to maintain the country's integrity, unity and interethnic harmony. He promised to fight crime and corruption and placed a lot of hope on economic recovery and growth fuelled by national projects in energy, transportation, mining and agricultural sectors. Political analysts have noted the newly elected president's desire to become the Kyrgyz version of Ataturk, not just the great reformer but also the "father of the nation," although that would require the implementation of actual reforms rather than mere political rhetoric.

The day following the presidential inauguration, the Social Democratic Party of Kyrgyzstan (SDPK) announced its withdrawal from the coalition majority, which, pursuant to the Constitution, amounted to a change of government and the approval of a new candidacy for the office of prime minister. The mandate to form the new majority coalition was also secured by SDPK, whose eternal leader is the incumbent President Atambayev, who has now officially ceded his powers as party leader. Several rounds of negotiations resulted in a new majority coalition formed by four of the five current

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political factions in parliament: the Social Democratic Party of Kyrgyzstan, Respublika, Ar-Namys and Ata-Meken. The Ata-Jurt political party that was a member of the previous coalition and whose nominee ran against Atambayev during the presidential elections was forced into the opposition and is now the sole embodiment of the primary principle of parliamentarianism, ie, the presence of an opposition within parliament.

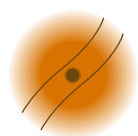
The new coalition agreement provided for the nomination of a single candidate from the entire coalition for the office of prime minister and the annual election of a Speaker among the members of parliament who joined the coalition. It also determines fundamental provisions of foreign and domestic policy as well as further steps in the implementation of judiciary reform. The agreement came into effect once signed on 16 December.

On 23 December, members of parliament approved the programme, structure and composition of the government as proposed by Respublika leader Omurbek Babanov, who became prime minister with 113 out of 120 members of parliament supporting the proposal. SDPK and Respublika secured the highest number of ministerial offices, and the lowest number of cabinet seats was obtained by Ar-Namys. It was, however, more surprising that the office of minister for culture and tourism went to a representative of the opposition Ata-Jurt political party following the nomination of his candidacy by the actual coalition. The structure of the government was changed, leading to the dissolution of four ministries and three agencies, with 3,260 public servants to be laid off, expected to result in more than KGS 1 billion to be saved in the state budget. It should nonetheless be noted that almost every new government in prior years started with populist measures aimed at reducing the bureaucratic governmental apparatus, but rarely resulting in any real improvement in state services or any significant reduction of state budget expenditures.

The first Speaker of the fifth convocation of parliament, Ata-Jurt political party nominee Akhmatbek Keldibekov, was forced to resign his office, which he actively resisted but ultimately had to cede owing to pressure from Parliament and vicious attacks from the media. A specially formed parliamentary commission reviewed all the charges filed against the Speaker by the Ata-Meken parliamentary faction and recommended to the rest of members of Parliament that Keldibekov be relieved of his duties. Keldibekov was accused of connections with the organized crime group of Kamchy Kolbayev, who appears on America's specially designated narcotics traffickers list. More disturbingly, the commission also discovered that the deputy chief of staff of Jogorku Kenesh and a representative of the Kyrgyz Parliament in the Russian capital, both appointed by the ex-Speaker, were also members of an organized crime group.

The extraordinary session of Jogorku Kenesh lasted for twelve hours and finally resulted in the resignation of the Speaker who accused SDPK of breaching prior promises and playing unfair backroom games. In the ex-Speaker's home area and in the southern capital of the country, the town of Osh, relatives of Keldibekov rallied on the streets demanding that injustice be rectified. Keldibekov, who flew to Osh following his resignation, thanked the protesters for their support and promised to continue working even harder as a rank-and-file member of parliament and to finalize the investigation of the tragic bloodshed that occurred in south Kyrgyzstan in June 2010.

The election of a new Speaker took place on 21 December, delivering a logical victory to SDPK nominee Asylbek Jeenbekov who secured 78 votes. An opposition Ata-Jurt nominee, Kurmanbek Osmonov, representing southern political clans and a former chairman of the Supreme Court, received 25 votes. Finally, the Social Democrats secured two out of three top government offices and obtained a



number of ministerial posts, significantly expanding the scope of opportunities for President Atambayev.

A court case relating to the events of 7 April 2010 and which had already dragged on for more than a year took a surprising turn on 14 December, when the supposedly-at-large former head of the state national security service Murat Sutalinov showed up in court when hearings were underway. Under the pressure from victims and their relatives, Sutalinov was taken into custody by the presiding judge right in the middle of the court session and subsequently placed under house arrest. The judge's actions triggered widespread indignation in society and once again demonstrated the need for in-depth changes in the judiciary system currently marred by raging corruption and fully subordinated to the political and financial establishment of the country. Fearing actions on the part of outraged citizens, the state national security committee, whose head is appointed by the President, again detained the former high-ranking official and placed him in the investigation detention facility of the state national security committee.

Yet another controversial court ruling triggered a reaction and concerns in and outside the country. The Supreme Court of the Kyrgyz Republic upheld the life sentence issued to a prominent human rights activist of Kyrgyzstan, Azimjan Askarov, an ethnic Uzbek. As already known, the Bazar-Korgon District Court and the Jalal-Abad Province Court issued very severe verdicts to several defendants connected with the June 2010 events, having sentenced them to twenty years in prison and a life sentence. The Supreme Court, via its ruling, which is final and not subject to any appeal, commuted the sentence of one of the defendants but upheld the ruling of the lower courts with respect to the rest.

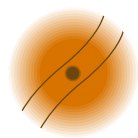
Nurbek Toktakunov, the attorney of Azimjan Askarov, stated that he intended to appeal with the UN human rights committee as he considered the

ruling unfair and that it contained numerous violations of criminal procedural provisions. In addition, the attorney said that the penal colony in which Askarov was being kept could not guarantee his safety and could lead to the human rights activist's death.

Janez Lenarcic, director of the OSCE office for democratic institutions and human rights, expressed concern over the ruling of the Supreme Court and recalled that Kyrgyzstan, as an OSCE participating state, has shouldered an obligation to comply with international standards of fair trial as stipulated in the international covenant on civil and political rights and therefore had to take effective measures to prevent torture and cruel treatment.

Foreign and international policy

In December, the transit centre at Manas international airport effectively hosting a NATO military base celebrated its ten-year anniversary. The airbase was created in 2001 after Kyrgyzstan agreed to the anti-terrorist coalition's request for a military contingent to be placed in Kyrgyzstan to support Operation Enduring Freedom in Afghanistan. Today, the centre is home to about 1,200 US servicemen and 200 civilian contractors while also employing around 700 Kyrgyz citizens. In the course of its ten-year history, the airbase has also hosted servicemen from Spain, France, the Netherlands, Denmark, Norway, Australia, New Zealand, South Korea and other countries. The airbase is an important logistical hub for military personnel and supplies of fuel for the air forces of the coalition countries in Afghanistan. Fuel tanker airplanes from this airbase provide up to 30% of all refuelling operations in the combat zone. About 50,000 transit servicemen pass through the centre each month deploying in and from Afghanistan. Refuelling operations are conducted via two main types of military aircrafts – fuel tankers KC-135 Stratotanker and transportation aircraft C-17 Globemaster III.



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The director of the transit centre, Colonel James Jacobson, reported that expenditures totalled \$151 million. This amount includes payments of \$60 million to the Kyrgyz Government as part of its 2009 agreement with the United States. In 2010, the centre's expenditures totalled \$131.5 million, in 2009 \$101.7 million, and in 2008 \$76.5 million. Colonel Jacobson anticipated that in 2012, due to the contract with a new fuel supplier– the Gazpromneft Aero Kyrgyzstan joint venture – the centre's expenditures and, eventually, amounts of direct payments, may exceed the 2011 figures. In November 2011, the Manas transit centre started receiving fuel from the Russian-Kyrgyz joint venture Gazpromneft Aero Kyrgyzstan, 51% of whose shares are owned by Gazprom and 49% by Kyrgyzstan's state enterprise Topливо-zapravochnyi complex Manas (Fuel Complex Manas). For the first three months, the company will be supplying 20% of the airbase's total fuel demand and by February 2012 the share of fuel supply is expected to reach 50%. Such a significant promotion of Russian political and economic interests is related to the presidential election having been won by President Atambayev, who leaned on Moscow's support and promised to make good on several promises including the creation of a joint Russian military base. Today, there are five Russian military objects in Kyrgyzstan whose presence is regulated by varying documents. Moscow is trying to get them unified into a single military entity that will be based in the Kyrgyz Republic at no cost for a period of 49 years with a 25-year extension option. In addition, the Russian Federation is demanding 49% of shares of the Dastan Plant that produces torpedoes VA-111 Shkval, as well as the building of the office of the Russian Federation's trade representative, in exchange for the write-off of a \$180 million debt. Gazprom would also like to receive 75% of Kyrgyzgaz, while Russian state companies would like to secure contracts for the construction of hydro power plants. For instance, the Inter RAO company intends to land the primary share of contracts for the construction of Kambarata

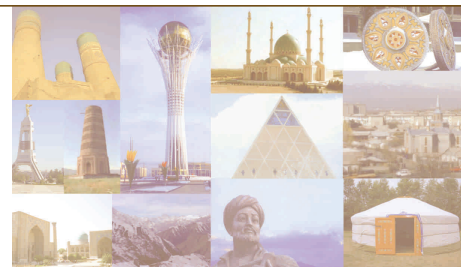
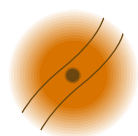
Hydro Power Plants 1 and 2. The RusGidro company plans to build four Hydro Power Plants with a capacity of up to 300 MW on the Naryn river. Yet the most insistent Russian request is for the closure of Manas transit centre, the last largest US military base in Central Asia. It should be recalled that in his first media interview during the election campaign, Atambayev announced that if elected, he intended to close the Manas military base in 2014.

Economy and business enterprise

The national statistical committee has published its initial results for economic growth for 2011, which shows that in the year to November, industrial growth was 24% higher than the previous year, an impressive figure were it not for the fact that 2010 was a complete failure in terms of economic development due to the complex political situation and instability. Economic growth was fuelled by the textile and clothing industries and the manufacturing of construction materials, machinery and equipment.

Inflation for the period January-November 2011 was 17.7%, while salaries grew 28.5% thanks to pre-election salary raises for teachers, doctors and other employees of state institutions.

Negative statistics provided by the energy ministry were also made public. In the year to November, Kyrgyzstan experienced 12,176 accidental power outages. Bishkek alone reported four to six high-voltage overhead line accidents daily. Severe frosts reaching minus 17 degrees centigrade in December exacerbated the situation with power outages, forcing the inhabitants of the capital to endure several days without electricity, resulting in protests and roadblocks. Although the chronic problems afflicting the energy sector have been discussed domestically, regionally and internationally for many years, citizens have yet to appreciate any material changes in the situation. The current energy minister and his



predecessors in former President Bakiyev's cabinet blamed this on the high rate of energy consumption by the public and companies and called for raises of energy fares. It should nonetheless be noted that increased energy fares were one of the factors that triggered the April 2010 events that led to numerous casualties among the population and the flight of former President Bakiyev.

Kyrgyzstan, together with Tajikistan, found itself on the list of the world's five most remittances-dependent countries. In Kyrgyzstan, cash remittances by labour migrants represent 21% of GDP. In Tajikistan, according to World Bank data, this share is even higher, amounting to 31% of GDP.

The first achievement of the new President and his government was the conclusion of an agreement with Turkey that effectively writes off part of the country's foreign debt. By virtue of this agreement, Turkey agreed to write off \$49.2 million, a sum provided to Kyrgyzstan back in 1993 as part of a credit extended by the Export Credit Bank of Turkey.

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