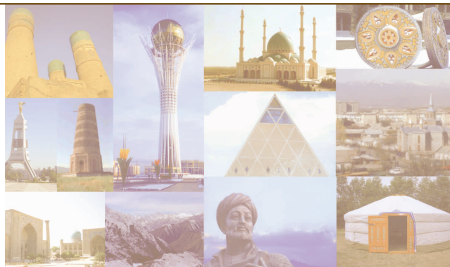


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KYRGYZSTAN

MARCH-APRIL

MAY 2012

Bimonthly article

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Highlights

The results of Almazbek Atambayev's first 100 days in office as President of the Kyrgyz Republic were summarized in March 2012. The primary result turned out to be the strengthening of the President's position in the ever-growing battle between the three branches of the government.

In April the government submitted a report to parliament on the implementation of the short-term programme entitled "Stability and Decent Life," better known as the 100 Days Programme. The programme implementation, successful in the prime minister's eyes, was severely criticized by the media.

In addition, the country summarized the results of 20 years of the Kyrgyz Republic's membership of the United Nations which enabled the relatively small country, in terms of territory and population, to initiate and support various efforts at global level.

Internal affairs

The first 100 days of President Atambayev's term in office concluded on 10 March, providing an opportunity to summarize the initial results of his presidency. The opinions of analysts and journalists differ considerably regarding his handling of domestic and foreign policies, but there appears to be consensus regarding his success in outmanoeuvring all his primary political opponents for the political Olympus of 2012

The infallible successes of Atambayev included the replacement of the Speaker of parliament which led to the loss of this key post by Ata Jurt and the southern clans behind it. Moreover, the office of Speaker, vacated by Akhmatbek Keldibekov when

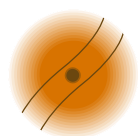
forced to resign, was filled by Atambayev's fellow party member Asylbek Jeenbekov, consolidating the President's influence in parliament. The loss of the Speaker's seat by Ata Jurt was the result of successful behind-the-scenes political manoeuvring by the party's opponents coupled with the blunders and miscalculations of leaders like Keldibekov, and fellow party members being caught in connection with organized crime groups, one of whose leaders, Kamchybek Kolbayev, appears on the US State Department's list of international criminals. Local and foreign media -Russian in particular- reported extensively about the association of the Ata Jurt political faction leader Kamchybek Tashiyev with drug trafficking.

President Atambayev is also credited with the formation of the government coalition, although the actual cabinet is headed by Omurbek Babanov, leader of Respublika. Atambayev's protégés obtained a number of key posts including the office of first vice prime minister.

The unfolding fight against corruption and the creation of a special anti-corruption service within the State Committee for National Security, subordinated to the President, were two of the President's top priorities in his first 100 days in power. The biggest achievement of this anti-corruption campaign -yet another one!- in Kyrgyzstan was the indictment by the prosecutor general's office of the energy and industry minister Askarbek Shadiyev.

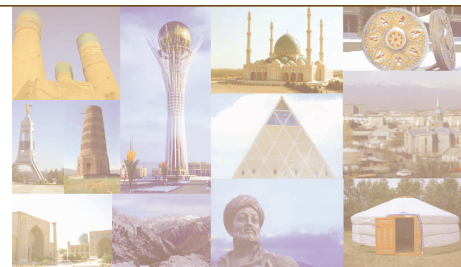
On 13 March, the prosecutor general's office reported that the minister was being charged under Article 304 of Part 4 of the Criminal Code in relation with crimes by public officials acting against the interests of state and citizenry. At the same time charges were

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brought against deputy energy and industry minister K. Jumanaliyev, under Article 316, part 1 – “Negligence.” On 14 March, the prime minister and leader of the party of which Shadiyev is a member suspended the minister for the duration of the investigation. By April, however, he was once again taking part in official meetings and negotiations in his capacity as minister. It is more than likely that assumptions that the Shadiyev Case would disintegrate in courts were substantiated judging from the requalification of the charges by the prosecutor’s office.

During the first 100 days of his presidency, President Atambayev continued to demonstrate his particular commitment to a strategic partnership with Kyrgyzstan’s CIS neighbours, especially Russia, which enjoyed the lion’s share of official and working visits by the Kyrgyz head of the state. During his term as prime minister as of April 2010 and in these first few months of his presidency, Atambayev did not visit any EU countries or America, and not necessarily for want of invitations. Both at home and abroad, he is broadly seen as an adherent of pro-Russian foreign policy.

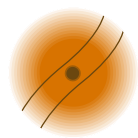
An ample discussion in the country emerged following the publication by Freedom House of the freedom of press rankings where Kyrgyzstan found itself in 155th place and together with other Central Asian countries joined the category of “Not Free.” Equating Kyrgyzstan in terms of freedom of press with Kazakhstan, Tajikistan, Uzbekistan and Turkmenistan triggered a wave of indignation on the part of public organizations, political parties and even members of parliament. This is hardly surprising considering that freedom of speech is one of the primary achievements of the Kyrgyz democracy, this being what makes it stand apart from its neighbours in the region. In fairness to the freedom of press report, it should be noted that in 2011, the Kyrgyz Republic registered 8 cases of assaults and intimidations of journalists, which is

nonetheless a major step forward compared to Bakiyev’s presidency when journalists were murdered and grievously maimed. Nevertheless, incidents such as the blocking of the Russian Ferghana.ru website, sanctioned by members of parliament, does no credit to parliament or the country overall. Even the information war launched by the website and other Russian Internet media outlets against Kyrgyzstan’s sovereign interests does not constitute sufficient grounds for the stand taken by the country, for Freedom House at least.

In April, elections for several local representative offices of local governments were held, including seats in Osh, the second largest town in Kyrgyzstan and the country’s second southern capital. There was a major struggle among country’s leading political parties for this key centre of governance and influence in the south of the country, even more so given that the new legislation stipulates that local legislatures, *keneshes*, possess the power to elect mayors of towns and *akims* (heads of rural areas). The nationwide significance of the election in Osh was accentuated by the fact that since April 2010, it has been a stronghold of the political opposition to leaders of the April events who currently hold top-ranking state posts. In 2010, Osh witnessed brutal interethnic, community-level clashes that took more than 400 lives, leaving in their wake post-conflict problems that are far from being resolved.

On election day, the town was patrolled by 900 officers of the internal affairs ministry and 600 voluntary public vigilantes. Fortunately, no significant incidents were reported. Supporters of the incumbent mayor of Osh, Melis Myrzakmatov, who aggressively demonstrated his autonomy from the central authorities, won the election but failed to gain the majority of seats in the town’s legislature which prompted the controversial nonconformist town head to engage in negotiation with the legislature members.

In early March, Akhmat Bakiyev, the younger brother



of ousted president Bakiyev and the only member of the Bakiyev clan who was arrested and sentenced by court, escaped from custody. The ensuing investigation revealed that the escape took place from the building of a private medical centre in the capital where Akhmat was undergoing an additional course of treatment, contrary to all rules of confinement. Moreover, as the special prosecutor Adis Omuraliyev noted while speaking at a press conference, the same scheme of transfers from one penitentiary centre to another had also been prepared for a nephew of the former president, currently in the investigation isolation facility in Bishkek. The escape by the only sentenced member of the Bakiyev clan and the failure of the authorities to prevent this -and the possible collusion of members of the state penitentiary service- will doubtless undermine the country's efforts to extradite the former president from Belarus and his son Maxim from the United Kingdom.

Foreign and international policy

The transit centre at Manas international airport continued to draw attention, especially after the presidents of America and Afghanistan signed a strategic partnership agreement in Kabul on 2 May spelling out terms of cooperation after the cease of military actions in Afghanistan and the withdrawal of NATO troops in 2014. On 13 March, the transit centre was visited by US defence secretary Leon Panetta, who in the course of his short visit met with the defence minister and the secretary of the defence council of the Kyrgyz Republic. At the end of his visit, Mr. Panetta expressed hope for continued cooperation between America and Kyrgyzstan.

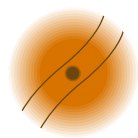
At the same time, top Kyrgyz officials preferred to distance themselves from this visit as President Atambayev's press service disseminated information to the effect that he did not have any meetings scheduled with the US defence secretary. There were no official press releases on results of the negotiations

with the country's defence and foreign affairs ministries. Prime minister Omurbek Babanov expressed his own viewpoint on the future of the transit centre at Manas stating that the issue should not be considered in the context of bilateral relations between Kyrgyzstan and USA but as part of the Collective Security Agreement Organization (CSAO), known to be led and dominated by Russia.

Despite the "secrecy measures" adopted on the occasion of US defence secretary's visit, it is broadly held that the real purpose of the meetings was to discuss possible options for prolonging the operation of the Manas Transit centre following the expiry of the effective agreement in 2014. This viewpoint was confirmed in a public speech by the US ambassador in Kyrgyzstan, Ms. Pamela L. Spratlen, who noted that the stabilization of the situation in Afghanistan required perennial cooperation among many countries of the world including the Kyrgyz Republic. She also confirmed that discussions of the future of the Manas transit centre between the US and the Kyrgyz Republic had already begun. In April, Bishkek was visited by a group of American experts for a discussion of the terms and demands of both parties.

Foreign policy events in this period included the visit to Kyrgyzstan by Mongolian president Tsakhiagiin Elbegdorj, who met with Kyrgyz leaders and stated that the visit would give a new boost to Kyrgyz-Mongolian relations in various sectors of economy and culture. This official visit will be followed up by a meeting of the Intergovernmental Commission in the second half of 2012 in Ulan Bator.

In early March, EU representatives announced their intention to extend \$17 million to the Kyrgyz Republic for social expenditures. In 2011, the EU extended almost \$16 million to support the state budget and social security as part of the implementation of the Partnership and Cooperation Agreement between the Kyrgyz Republic and the European Union.



Economy and business enterprise

In late April, the Kyrgyz government submitted a report to parliament on the implementation of the programme of short-term measures to develop economy and business, and to resolve pressing social problems, more commonly known as the 100 Days Programme. As the prime minister noted, under this programme, in the first quarter of 2012, GDP growth totalled 4.5%, as opposed to 2.1% in the same period last year. Economic growth in the construction industry totalled almost 13%, in services sector 6.8%, in agriculture 1.2%, industry 17.2%, with inflation totalling 0.9%.

Also, in 2012, as a result of the administrative reforms being implemented, the list of state services was reduced from 20,000 to a mere 386. Services now taken outside government jurisdiction can now be offered to the public by public or private organizations.

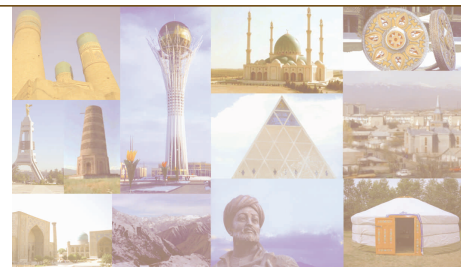
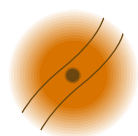
In the course of implementing this programme, the Kyrgyz government issued KGS 1 billion in the form of preferential loans at 7% APR to rural producers who previously did not have access to micro financing due to high interest rates maintained by commercial banks and micro financing companies. All regions of the country saw the commencement of the national project to create seed farms for which the government has earmarked \$7.4 million in grant funds. Additionally, the government appropriated KGS 1 billion to resolve the issue of public unemployment and reduce the number of low-income families.

The Kyrgyz government's accomplishments include the repeal of export duties on fuel and lubricants supplied from the Russian Federation, enabling Kyrgyz citizens to save about \$300 million thanks to the decrease in domestic prices for oil products. The Kyrgyz government also managed to reach agreements with Kazakhstan on the creation of an

investment fund with capital of \$100 million. The fund has been officially registered and Kazakhstan has already issued the first instalment of \$30 million. Members of parliament found the government's report satisfactory and overwhelmingly supported the prime minister, with only 6 of the 104 members present expressing disapproval. It should nonetheless be noted that the report on the implementation of the 100 Days Programme was accompanied by a government report on its work in 2011, allowing it to showcase positive dynamics over a much broader timeframe than the three months in question.

The opinion of the government and parliament with respect to results of the 100 Days Programme was not shared by all political parties, public organizations and media outlets. One of the Ata Jurt leaders, Kamchybek Tashiyev, said that under the current political leadership, the socioeconomic situation in the country had only worsened. "There are grounds for stating that in the past 100 days no effective measures have been undertaken," said Tashiyev. "Many districts report loss of cattle due to lack of fodder. High-mountain pastures in remote areas of the country lost 19,549 head of cattle, amounting to about 1.5% of the total cattle headcount." Tashiyev believes that this trend may continue since fodder prices have doubled. Spring field agricultural work is endangered since the issue of provision of fuel and lubricants in the country is yet to be resolved. Kyrgyz farmers have only been supplied with 42% of the volume of fuel needed. In addition, in April 2012 diesel fuel prices rose drastically.

Government opponents ridiculed the Babanov cabinet's plans to quickly reduce governmental expenditures, auspiciously impact the investment climate and streamline governmental bureaucracy as empty promises and unsubstantiated ambitions. In fairness to their criticism, it should be noted that the report by the National Statistical Committee for the first four months of 2012 states that in comparison



with last year, GDP declined, a negative trend observed for the fourth month in a row.

The prime minister, who has concentrated all his attention on attracting foreign investment, attempted to expand sources of investment by taking part in an economic forum in Qatar where he met with the Emir and influential Qatari businessmen and proposed that they engage in a series of investment projects in the Kyrgyz Republic.

In late March, the government held difficult negotiations with an official delegation from Russia headed by its energy minister Sergei Shmatko. Negotiations revolved around Russian investments in the construction of hydro power plants along river Naryn in the Kyrgyz Republic. Even though the construction contract was signed back in 2008 and established the receipt of equal dividends from the operations of facilities by both parties, the Russian delegation actively attempted to change the status quo and secure the receipt of 75% of profits.

On 30 April, the Kyrgyz Republic was visited by an official delegation from Azerbaijan which was also invited to participate in investment projects in the banking and hydro-energy sectors. On completion of the talks, the head of the Azeri delegation, first vice prime minister Yagub Eyubov, stated that there is a lot of room for investment although the main question still revolved around the markets for Kyrgyz electrical energy. According to Mr. Eyubov, if this issue is resolved, the Azeri side is willing to participate in the construction of hydro power plants in the Kyrgyz Republic. In addition to agreements reached in the area of hydro-energy, the sides agreed to streamline and diversify the structure of goods turnover, facilitate the development of direct contacts

and relations between commercial entities of the two states, and continue negotiations for the construction of an oil refinery in the Kyrgyz Republic and supplies of hydrocarbons from Azerbaijan to the Kyrgyz Republic.

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