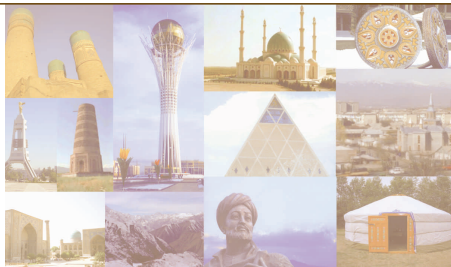


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CASA ASIA



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KYRGYZSTAN

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Bimonthly article

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Highlights

Harassment of political opponents of the ruling Bakiev clan continued in 2010. In January Ismail Isakov, the former defence minister and one of the leaders of the united opposition, was sentenced to eight years' imprisonment. This unfair court ruling caused protests and rallies both in the south and in the capital.

A year has passed since the vociferous denunciations of the treaty between the Kyrgyz Republic and NATO countries concerning the use of Manas airbase. The anti-Talib coalition forces remain in Kyrgyzstan, which is having a significant impact on Kyrgyz-Russian relations.

In February the Kyrgyz government sold state-owned shares in the largest and only profitable company in the power distribution industry, and in the largest Kyrgyz telecommunication company, Kyrgyztelecom. This privatization caused uproar in the country.

Internal affairs of the country

On 11 January 2010, the military court of Bishkek Military District declared former defence minister Ismail Isakov guilty and sentenced him to eight years' imprisonment in a maximum-security facility. The court also stripped him of his title of Lieutenant General. This very harsh punishment stemmed from the illegal transfer by Mr. Isakov of a two-room apartment owned by the Ministry of Defence to his son in 2005, despite the fact that two years after said transfer the apartment in question was returned to the lawful owner. The verdict, delivered by a court of first instance, was perceived as persecution of political opponents. The day after the verdict was handed down, Isakov's supporters started a hunger

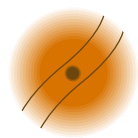
strike, demanding that the General and other political prisoners be released from prison. One of the supporters is Isakov's 85-year old mother. In Alai district, Isakov's home region, local residents gathered for several demonstrations making similar demands. These demonstrations are still under way. On 19 February, the military court of the Kyrgyz Republic upheld the first-instance ruling in response to the appeal that had been lodged by Isakov's lawyer.

Meanwhile, the Nookat district court heard a case relative to two officers of the Nookat District Police Station, who were found guilty of physically assaulting Almaz Tashiev, a local journalist who later died from his wounds. The officers got a two-year suspended sentence, which shows that Kyrgyz justice treats homicide as a far lighter crime than the illegal transfer and return of a piece of real estate.

This ongoing crackdown on political liberties in Kyrgyzstan is sparking protests, which have led to the creation of new opposition groups and movements. On 18 January a new opposition movement, the Eldik Kenesh (Kyrgyz for People's Council), was founded, its stated aim being to reinstate the 1993 Constitution, the first constitution of independent Kyrgyzstan, since adjusted on numerous occasions to suit presidential needs. At the end of January, the political opponents of the Bakiev regime established the Kyrgyz Movement for Democracy, which will be based in the United States.

After receiving their first electricity, hot water and heating bills under the new tariffs, the Kyrgyz population launched a series of protests demanding a reduction in utility prices. Residents of the high-mountain Naryn province organized a meeting on 24 February in the capital city Naryn, with slogans reading, "We can't pay for electricity", "Government,

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hear us", and "We want to live too!" According to Azzatyk, the Kyrgyz-language service of Radio Free Europe/Radio Liberty, 1,500 people from Naryn City and neighbouring villages gathered at the town square demanding that local and national authorities revise their decision to increase utility tariffs. Akylbek Japarov, first deputy Prime Minister of the Council of Ministers, met the protesters and tried to calm them down, promising to communicate their problems to the Prime Minister. However, the Narynians, disappointed by the response, or rather by lack of such from the central government, held another demonstration in March, voicing not only social and economic demands, but political as well. The President replied by assigning a new person to head what is the poorest region of the Kyrgyz Republic.

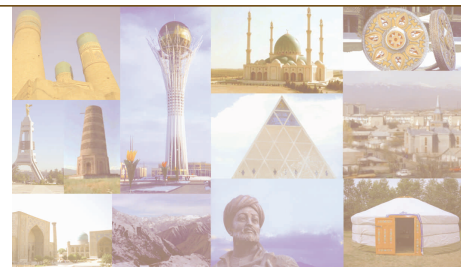
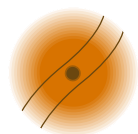
On 10 February, Nurbek Toktakunov, a local attorney, filed a lawsuit challenging the resolution of the Council of Ministers whereby the new utility tariffs were adopted. The court refused to allow the suit, citing Mr. Toktakunov's failure to prove that he is indeed a consumer of said utility services. The attorney changed the wording of his suit and resubmitted it to the court. In response to the government's attempt to place the burden of solving the old and complicated problems of the electrical power and heating supply industry on the shoulders of common people, several impromptu action groups appeared, consisting mostly of Bishkekians from lower income groups. These groups are trying to influence government policy. The opposition Social Democratic Party of Kyrgyzstan sided with the people and joined the demands for the tariff Resolution to be repealed.

On 21 January, the Constitutional Court considered the amendments proposed by President Bakiev last December. These amendments expand the authority of the President and give him control over some of the functions that were previously assigned to the Council of Ministers - defence, security, and foreign

and domestic affairs. Also, according to these amendments, in the event that the President is incapable of discharging office, power is transferred not to the Speaker or Prime Minister, as stated in previous version of the Constitution, but to a person designated by the Presidential Council. The Constitutional Court approved almost all the amendments, barring the reference to the role of the Presidential Council. But the Constitutional Court did not rule out this amendment completely, specifying that "nomination of a stand-in President by a collective council established specifically for such purpose is nonetheless possible". On 26 February, the Parliamentary Committee for Constitutional Law, Governance and Human Rights proposed the Presidential Stand-In to be nominated by a State Council, which should convene within 3 days of the President becoming incapable of discharging office. The proposed composition of the new council does not differ much from that of the Presidential Council, rekindling suspicions among local independent experts that these moves are basically aimed at creating an imitation of due legislative process.

Foreign and international policy

In the twelve months since President Bakiev's triumphant return from Moscow, the Russian leadership's attitude to the ruling Bakiev clan and Kyrgyzstan in general has gone from friendly to irritated. President Bakiev, in preparation for his election campaign for the second term, secured a grant of \$150 million and a \$300 million loan at a very low interest rate from Russia. This achievement was recognized as an important element of Bakiev's election success. In gratitude, Mr. Bakiev merely renamed the NATO base -commonly known as the US Manas Airbase- the Transit Centre. This poorly disguised attempt at meeting the promises made to Russia only on paper did not make the Kremlin happy and Russia suspended the \$ 1.7 billion loan it had promised to Bakiev for construction of the



Kambarata-2 Hydroelectric Power Plant. Moreover, Vitaly Skrinnik, the First Secretary of the Russian Embassy in Kyrgyzstan, stated the following: “Nobody will give that kind of money with such low interest. But what does the (Kyrgyz) government do with the money? They establish a new foundation (the Central Agency for Development, Innovation and Investment, headed by Bakiev’s son Maxim), deposit the money there, and begin loaning it out with interest”. Skrinnick says these Russian funds were intended to be paid out to Kyrgyz teachers, doctors, police officers and judges, at least these are the purposes that were stated in the law which the Russian Parliament passed to authorize the transfer of funds. However, “the Kyrgyz authorities decided to make money out of that money”.

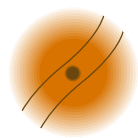
In February Prime Minister Daniyar Usenov made an official visit to Moscow with disastrous results. Usenov was unable to persuade the Russians to agree to resume the Kambarata-2 credit line, nor was he even able to schedule a meeting with his Russian counterpart or one of Putin’s deputies. Further deterioration of Kyrgyz-Russian relations will be detrimental -first and foremost- to the Kyrgyz economy: not only is Russia Kyrgyzstan’s second largest foreign trade partner after China, it is also the country where most Kyrgyz labour migrants work (more than 90% of remittances made by individuals last year came from Russia). To make matters worse, Maxim Bakiev’s visit -his first international visit as a public official- to China resulted in the President’s son inviting China to invest in the projects that had previously been offered to the Russians.

On 19 February, President Bakiev met Richard Holbrooke, US Special Representative for Afghanistan and Pakistan, who was in Bishkek as part of his regional tour. As became known from Holbrooke’s summary statement for his Central Asian tour, this meeting was devoted primarily to the extension of the treaty on the use of the Transit

Centre near Bishkek’s Manas International Airport. This Transit Centre was also mentioned in a scandal that started unravelling on 23 February when Iranian security forces captured Jundullah terrorist group leader Abdolmalek Rigi and his assistant, who were travelling on board a Kyrgyz airliner from Dubai to Bishkek. The scandal caused a diplomatic war of words between Kyrgyz and Iranian foreign ministries, since the Kyrgyz ministry refused to admit the arrest of a foreign citizen travelling on board a Kyrgyz airliner, despite plentiful evidence to the contrary. According to Iranian media, Rigi, who is associated with US intelligence circles, was travelling to Kyrgyzstan to meet high-ranking US intelligence officers in the Transit Centre (Manas Airbase). In an interview with RFE/RL, John Sullivan, official representative of the US State Department, categorically denied reports by Iranian media connecting Washington with the Sunni militants and their leader Rigi.

On 10 February, a Representative Office of the European Union in Kyrgyzstan was opened. The Office is headed by Ambassador Chantal Hebberecht, who, along with Dutch, Finnish and British ambassadors delivered their credentials to President Bakiev.

On 23 February in Brussels, an 11th meeting of the Kyrgyzstan-EU Cooperation Council took place. The meeting was chaired by Ángel Losada Torres-Quevedo, Spanish State Secretary for Foreign Affairs and by Kadyrbek Sarbayev, Kyrgyz State Minister for Foreign Affairs. The Parties reaffirmed their respective obligations, established by the Partnership and Cooperation Agreement between the EU and Kyrgyz Republic, acknowledging the progress that was achieved in implementing the EU strategy in Central Asia and noted Kyrgyzstan’s assistance in implementing this strategy. The European Union welcomed Kyrgyzstan’s ratification of the Second Optional Protocol to the International Covenant on Civil and Political Rights, which commits its



signatories to the abolition of the death penalty. It is worth mentioning that the ratification of the Protocol was inspired by local NGO's and was met with resistance from Kyrgyz law enforcement authorities. The European Union appealed to the Kyrgyz government to improve human rights in the country and expressed its willingness to support the reform of the country's governance and judicial sector.

Economy and business enterprise

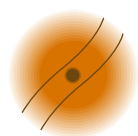
On 3 February, the State Property Ministry of Kyrgyzstan sold state-owned shareholdings (87.9% of total) in Severelectro, Kyrgyzstan's largest power distribution company, to an obscure company called Chakan GES for \$3 million. Chakan GES, if one is to believe the results of the tender, offered better terms than Russian and Kazakh bidders.

On 5 February, the Ministry sold the state's 78% stake in Kyrgyztelecom, the country's largest telecommunications company, for \$40 million. This tender was won by a consortium of four companies, two of which are offshore companies registered in Cyprus. The official results of these tenders and final selling prices for these two strategically important infrastructure objects caused uproar in Parliament and among the opposition and ordinary people. Ms. Roza Otunbayeva, leader of the opposition Social Democratic Party of Kyrgyzstan, in her open letter to Prime Minister labelled the sale as "fraudulent and criminal". The united opposition called a special press conference on this occasion and described this privatization as grand larceny and accused the ruling family of embezzling state property. Both Kyrgyz and Russian internet-media sources believe that the winners of these two tenders are affiliated with Bakiev Jr. As an illustration, it should be noted that the starting price for Severelectro, announced in October by then-Prime Minister Igor Chudinov, was \$137 million, whereas a 40% stake in Kyrgyztelecom was valued at \$150 million back in 1999. According

to Ms. Otunbaeva, the Central Bank, prior to these tenders, specifically excluded Cyprus from the list of offshore zones, so that companies from Cyprus could bid on Kyrgyztelecom and buy it at this amazingly low price.

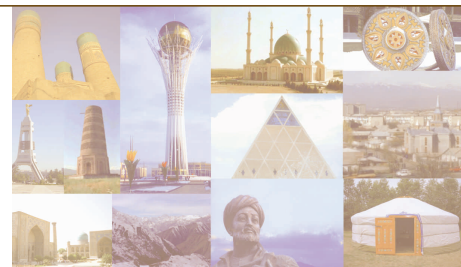
In parallel with this privatization of vital infrastructure enterprises, there have been substantial changes in the country's financial market, where, under the increasing private-public partnership pretext, financial resources are being consolidated with institutions affiliated with the ruling family. For example, at the end of January, the Development Foundation, which distributes Russian grant and loan funds and which is structurally a part of the Central Agency for Development, Investment and Innovation (CADII), headed by President Bakiev's son Maxim, chose Asia Universal Bank, a bank closely related to Bakiev Jr., as its partner in implementing a microfinance project. This microfinance project, endorsed by the Kyrgyz government, aims to occupy 22% of the agricultural microfinance market through leveraging its advantage of having access to cheap Russian money. Overall, monetary, fiscal and economic policy decision-making authority has essentially been vested with the CADII. As of today, the Central Bank, the Council of Ministers and local administrations report to the Agency.

At the end of January, Kyrgyz media reported that the four largest cell phone operators in Kyrgyzstan were planning to introduce a flat connection charge, to be applied on top of existing tariffs, starting 1 February. Given the background picture of growing prices for electricity, heating and hot water, the increase in cellular charges (more than 75% of Kyrgyzstan's population use cell phones), caused major upheavals. Kyrgyz parliamentarians, including members of the pro-Presidential party, appealed to the Council of Ministers to intervene and investigate the coordinated actions of the four cell phone operators. On 27 January, Nazira Usenalieva, Deputy Director of the State Antimonopoly Agency, described



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this coordinated introduction of the connection charge as collusion. Ms. Usenalieva further stated that “the coordinated introduction of connection charges can be viewed as a cartel agreement.”

However, on 24 February, Prime Minister Usenov stated that the Council of Ministers would not intervene in the operations of cell phone operators. In early March, a district court in Bishkek refused to allow a youth human rights network to conduct a demonstration in protest at the connection charge. Independent experts believe that the reason for this lack of support from the courts and for the passive stand taken by the executive branch is that at least two of the four cell phone companies are affiliated with the head of the CADII.

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