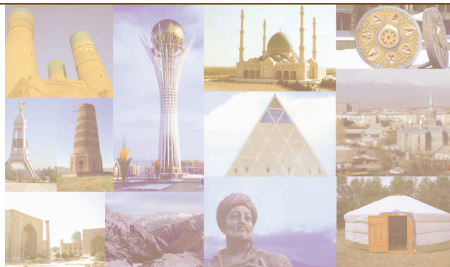


# CENTRAL ASIA OBSERVATORY

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CASA ASIA



May 2009



KYRGYZSTAN

MARCH - APRIL 2009

Bimonthly article

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## Highlights

The country's attention was primarily drawn to assaults on journalists, arrests of opposition leaders, the suspicious death of a prominent politician and a former head of the President's Administration and the 27 March opposition rallies. At the end of April, an ethnic conflict broke out in the village of Petrovka, Chui Oblast, and remains unresolved. Parliament set 23 July 2009 as the date for next presidential elections and as of early May, nine people have been officially registered with the Central Election Committee as candidates.

Parliament also approved modifications to macroeconomic assumptions underlying the state budget, namely a downward revision of expected economic growth and upward revision of inflation expectations. At the same time, Kyrgyzstan was recognized as one of the top reformers in the World Bank's "Doing Business" ratings.

In the area of foreign policy, there was an escalation of water-energy problems, with Kyrgyzstan and Tajikistan on one side and Uzbekistan on the other side, switching to increasingly hard-line positions.

## Internal affairs of the country

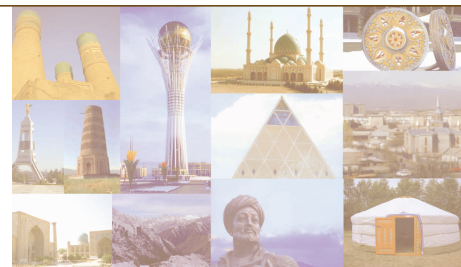
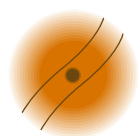
Regretfully, the domestic situation now reads more as a crime report newsreel. With increasing alarm, members of parliament, analysts and NGOs note a worsening crime situation. Statistical data supports this increasing concern: in the first quarter of 2009 the number of serious crimes -murders, armed robberies, rapes, frauds- increased 70% as opposed to the same period in 2008. Even more alarming is that this situation is unfolding despite this year's significant increase in funding for law enforcement

agencies - Ministry of Interior, National Security Committee, etc. MP Alisher Mamasaliev (member of Ak-Jol, a pro-resident party) said, "Criminals are now occupying powerful positions not only in the economy, but in society as well". Human rights activists and opposition leaders have urged the President to sack the Minister of the Interior and the head of the State Security Committee. This crime situation may be a result of lack of competence in law enforcement or interference in law enforcement operations, or the fact that law enforcement agencies are required to pay more attention to political opponents of the current president at the expense of normal operations. Regardless of what the real reasons are, the current institutional arrangement of governance is clearly weak.

On 3 March 2009, Syrgak Abdyldaev, a political observer for the independent newspaper Reporter-Bishkek, was assaulted. The journalist suffered multiple knife wounds, fractures and other injuries. The Minister of the Interior promptly described the assault as a street crime, ruling out any other motives. However, on 5 March, leading civil society activists appealed to the government, saying that political murders are being "reclassified" into criminal murders and that this is being done intentionally. Mr Abdyldaev himself categorically disagreed with the minister's statement, saying that his work as a journalist focuses entirely on social and political matters and that the assault was politically driven. Three more journalists were assaulted in March.

On 19 March, the European Union issued a statement expressing concern with the situation. The U.S. Embassy in Kyrgyzstan also denounced the assault on Syrgak Abdyldaev and stated that this was an attack on the very foundation of civil society. At the end of March, the Journalists' Association of Kyrgyzstan

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published statistics highlighting the deterioration of press freedom in the country. Since the current president took office, there have been 40 assaults on journalists, of which only five have been resolved. Among the unsolved cases is the murder of Alisher Sayipov two years ago.

On 9 March, Alikbek Jekshenkulov, one of the leaders of the united opposition and a former foreign minister, was arrested. At the end of April, Erkin Bulekbayev, a leader of the Green Party was also arrested; a number of other former high-level government officials who joined the opposition have been threatened with arrest. Kyrgyz political analysts believe that the motive behind these arrests is political and that they are designed to fragmentize and weaken the united opposition in the run-up to presidential elections in Kyrgyzstan.

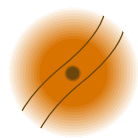
On 13 March three people died in strange circumstances. One of them was Medet Sadyrkulov, former head of the President's Administration, the primary ideologist and driving force for the pro-president party Ak Jol and a "director" of the controversial 2007 parliamentary elections. Despite protests from the opposition and even from some members of the Ak Jol Party, only one official version of the deaths was considered: death resulting from a traffic accident. A special group of investigators concluded their investigation and transferred case materials to the court. However, according to MP Galina Kulikova "there are many inconsistencies in the investigation... and evidence indicates that there might be other possibilities, including premeditated murder." On 14 April, an unknown gunman killed MP Sanjar Kydyraliev.

At the end of April, ethnic violence against Kurds<sup>1</sup> broke out in the village of Petrovka, Chui Olbast. This conflict, which had been brewing for a long time, had to be quelled with law enforcement agencies and interior troops, resulting in the imposition of a curfew and the establishment of

voluntary People's Guard Crews. At their general meeting, Petrovka residents (of various ethnic backgrounds) demanded the deportation of 50 Kurd families that were harbouring a local Kurd suspected of raping a four-year old girl. All external attempts to force Petrovka residents to withdraw their demand failed. The Petrovka pogrom is not the first or only ethnic riot in the country, but it again highlighted the absence of any coherent state policy on ethnic issues. It should also be noted that the Petrovka pogrom took place just several days after an annual meeting of the Assembly of Peoples of Kyrgyzstan, where participants prided themselves on interethnic concord in Kyrgyzstan.

During March-April, NGOs continued their protests against discriminatory amendments to the Law "On Non-Profit Organizations" and appealed to international community to state its opinion on the parliamentary initiative. The UN Resident Representative in Kyrgyzstan and the head of OSCE Centre in Bishkek stated their serious concern with the proposed amendments and expressed their belief that the new law would jeopardize the legal status of NGOs and undermine the positive role these organizations have been playing in society, in addition to violating the obligations the Kyrgyz Republic has shouldered by virtue of international treaties.

On 19 March, the Constitutional Court issued a verdict stating that presidential elections are to take place no later than 25 October 2009, effectively reducing the President's term of office by one year. On the same day, the Parliamentary Committee for Governance, Rule of Law and Human Rights set 23 July (Thursday) as the date for presidential elections. There is little doubt that early presidential elections benefit the current President: in March and April Kyrgyzstan received \$150m in grants and \$300m in loans from Russia, which is helping the current government to cover the budget deficit, increase pensions and fund the election campaign. Global economic recession is expected to manifest itself in Kyrgyzstan in the autumn



in the form of reduced exports and remittances. It is also important to note that such short notice benefits the current President as his competitors have little chance of raising sufficient funds for their election campaigns and preparing proper election campaigns. The election campaign is now the primary driving force behind government activities - legislative, fiscal and relations with neighbouring countries.

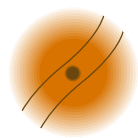
On 27 March, the united opposition conducted a series of rallies in six regions of Kyrgyzstan and in Bishkek itself. The rallies demanded Bakiev's resignation, a stop to political repressions and assaults on journalists and the withdrawal of pressure on civil society. The rallies followed a fruitless meeting between the opposition and the President's team (this meeting was later described by the opposition leaders as more of an attempt by the President to plug himself for the elections, rather than an earnest attempt to negotiate). The President's team, in turn, denounced the opposition's demands as unconstitutional.

The national census, undertaken once every ten years, was a relative non-event against the above-described background. The Kyrgyz Patent Service became the administrator for the ".kg" domain zone, despite protests from businesses and society. The Central Election Commission issued a clarification whereby Kyrgyz nationals may not act as foreign observers during the upcoming presidential elections

## Foreign and International policy

April saw a new burst of escalation in relations between Kyrgyzstan and Uzbekistan. Relations between the two countries have been strained since the early days of the country's independence owing to water-energy problems. Kyrgyzstan's decision to commence construction of the Kambarata Hydroelectric Power Plant on the Naryn river (head river of the Sarydarya River) with Russian backing

caused significant irritation in Uzbekistan. A similar problem exists in terms of Tajik-Uzbek relations insofar as Uzbekistan is unhappy about Tajikistan constructing the Rogun Hydroelectric Power Plant on one of the head rivers of the Amudarya River (Amudarya and Surdarya Rivers are the major water arteries of the region; their waters flow into the dying Aral Sea and are used for irrigation, hydroelectric power production and other requirements by the five countries of Central Asia). Active negotiations in early April between Uzbekistan and Kazakhstan are viewed by experts as an attempt to harmonize the positions of these two countries (which are located downstream of the two rivers) in respect of Kyrgyzstan's and Tajikistan's (which are located upstream of the two rivers) intention to build new hydroelectric power plants without approval from their stakeholders. Uzbek MPs, political parties and experts have criticized Kyrgyzstan's intentions and stated that the construction of the Kambarata Hydroelectric Power Plant would cause multiple negative consequences both for the region's economy and environment, and are demanding a review of hydroelectric plans by independent international experts with a view to assessing the impact of these plans on the region as a whole. The Uzbek foreign ministry stated that such large-scale projects affecting cross-border rivers should be developed only with the consent of all countries of the region. Uzbek President Karimov sent a request to Robert Zoellick, World Bank President, who confirmed that the Bank's experts would do a feasibility study of the Rongun project, with particular emphasis on assessing the regional impact of the proposed power plant. The EU Special Representative for Central Asia, Pierre Morel, at a special press conference in Dushanbe, proposed abandoning the practice of building large "Soviet-style" power plants, concentrating on smaller power plants that require less investment and less time to implement. Mr. Morel believes that one of the possible solutions to the region's water-energy problems is the establishment of a regional coordination council.



On 28 April, the summit of the heads of states of the International Foundation for Saving the Aral Sea (IFAS) took place in Almaty, where the standoff continued. Uzbekistan and Turkmenistan took a firm stand opposing the construction of power plants in Kyrgyzstan and Tajikistan. Kazakhstan, on the other hand, adopted a more neutral position, which experts believe is explained by the fact that Kyrgyzstan and Kazakhstan have successful experience of resolving water issues on a bilateral basis. Kyrgyzstan expressed a differing opinion on water-energy matters, saying that the reason for the water crisis in the region is the inefficient and ever-increasing use of water for irrigation. President Bakiev expressed his belief that the construction of hydroelectric power plants would not affect stream levels and would resolve many problems of the region's countries. President Bakiev also quoted World Bank experts who support Kyrgyzstan's position that the accumulation of water in reservoirs and its discharge during the agricultural season should not be provided free of charge. On returning to Kyrgyzstan, President Bakiev, for whom the \$1.7bn loan from Russia became one of the primary achievements and a trump card for the election campaign, stated that the Kambarata construction would proceed come what may. A number of experts believe that the region's water-energy problems are caused by the fact that not a single country of the region has seen a change in government since obtaining independence (at least a peaceful one) and that current political regimes are essentially incapable of negotiation or cooperation.

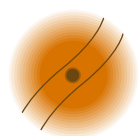
Another trouble spot in Kyrgyz-Uzbek relations can be pinpointed in the village of Chek of Nauken Raion, Jalal Abat Olbast, located on land that is a subject of dispute between the two countries. Since 19 April, armed Uzbek law enforcement officers have been present in the village, searching dwellings and inspecting local residents' properties. On 30 April, in direct violation of existing demarcation arrangements between the two countries, Uzbekistan

established a border control post in the village of Chek. On 30 April, the Kyrgyz foreign ministry handed a note of protest to the Uzbek ambassador, while Chek residents appealed to the President, the Parliament and the Ak Jol Party for protection. However, the government has yet to answer this appeal, the only reaction being the dismissal of the head of the Kyrgyz Border Service.

### **Economy and business enterprise**

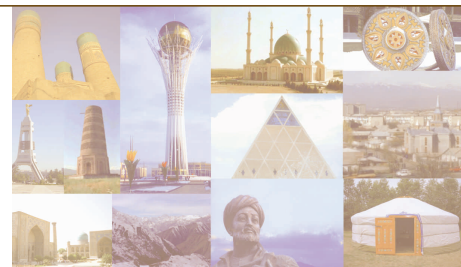
The state budget has been significantly amended to reflect changes in key macroeconomic assumptions. Instead of the previous forecast of 6% economic growth this year, the government now expects economic growth of only 0.9%. Inflation is now expected to increase from 13% to 15%. State expenditures have been increased by 5 billion soms (1 EUR = 57.96 KGS), with the budget deficit increasing by another 600 million soms. According to the forecasts of the Ministry of Finance, in 2009 state revenues will be lowered 5 billion soms, of which 700 million soms is attributable to a moratorium on immovable property tax and 650 million to losses in revenue from patent (form of simplified taxation) fees. The Finance Minister has described the new Tax Code as a mistake. \$150m received on 31 March from Russia will be used to fund expenses of the current state budget; the planned allocation of the other \$300m received on 30 April is as yet unknown. According to government statistics, GDP grew 0.2% in the first four months of 2009, with industrial output declining by 19.5%. Remittances fell by 33-40% compared to the previous year. The electrical power deficit is expected to reach 18%.

On 15 April 2009, persistent system-wide problems in the Kyrgyz hydroelectric industry caused a major blackout, affecting four northern Oblasts of Kyrgyzstan, Bishkek City and three southern Oblasts of Kazakhstan, including Almaty City. This massive blackout caused problems with drinking water supplies, road traffic control, communications, etc.



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The blackout affected two countries since Kyrgyzstan and Kazakhstan are still part of the so-called Central Asian Electric Power Grid, which was established back in Soviet times.

On 24 April, the Kyrgyz government signed an agreement with Centerra Gold Inc. regarding the future operation of the Kumtor gold deposit. The agreement had been preceded by 18 months of active negotiations and now, according to Prime Minister Chudinov, the Kyrgyz Republic's stake in the joint venture operating the Kumtor gold deposit has increased from 15.66% to 33%.

In March MPs approved a series of laws drafted by the Ministry of Economy and Trade aimed at improving the business regulation environment, putting Kyrgyzstan on the list of top reformer countries in the World Bank's "Doing Business" ranking. At the same time, the National Union of Business Associations sent a letter to the President and Parliament urging them to vote against the draft Tourism Law prepared by the Council of Ministers and aimed at introducing additional regulation for the tourism industry, hampering its competitiveness.

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<sup>1</sup> Kurds were deported to Kyrgyzstan during Stalin's times.

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