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CASA ASIA



January 2011



KYRGYZSTAN

NOVEMBER - DECEMBER 2010

Bimonthly article

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Highlights

It took Kyrgyzstan two attempts to form a parliamentary majority and a functional government based on a coalition of three political parties: Social Democratic Party of Kyrgyzstan (SDPK), Respublika (Republic) and Ata Jurt (Fatherland). The office of prime minister was secured by Almazbek Atambayev, leader of SDPK, and the office of speaker of parliament is now occupied by Akhmatbek Keldibekov, the “grey eminence” of the Ata Jurt party who held high-level offices in the administration of ex-president Bakiyev.

In light of the furious struggle on the political Olympus, the nation saw the emergence of one of the most basic problems of this nation – ensuring security. The head of the state committee for national security, Keneshbek Duishebayev, publicly claimed the existence of a coordinated underground terrorist cell.

Internal affairs

Almost two months following the election, the country’s parliament was able to proceed with electing its speaker and forming parliamentary committees and the government.

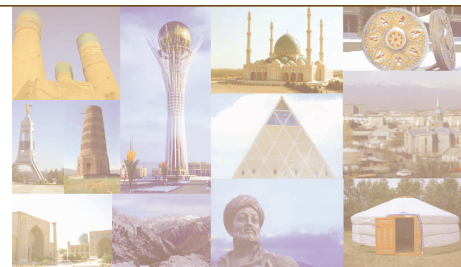
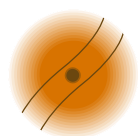
Tasked by the president of the Kyrgyz Republic, SDPK was the first party to attempt a coalition of three political parties: SDPK, Ata Meken (Land of Ancestors) and Respublika. The stumbling block in this combination was the post of speaker offered to Omurbek Tekebayev, the “architect” of Kyrgyz parliamentarianism and leader of Ata Meken. Speaking during a session in parliament on 2 December, Omurbek Tekebayev voiced the priorities of parliament were he to be elected speaker. He believes that parliament should not limit itself to

mere legislating, but should actively support the implementation of reforms in the system of law enforcement, public prosecution and social security, and strive to achieve economic growth. Tekebayev stressed that “... as the author of parliamentary form of governance (in the Kyrgyz Republic), I know that this system is the basis for harmony and compromise,” which should become the primary principles for activities of the nation’s supreme legislative body. As candidate for speaker, Tekebayev was subject to unprecedented heavy criticism from members of Ar Namys (Dignity) and Ata Jurt, who did not target his programme and the priorities of his prospective activities but rather his personal qualities (moral character).

When the votes were cast, 58 out of 120 members of parliament supported the candidacy of Ata Meken’s leader, 59 voted against him, one ballot turned out to be damaged and two members of parliament missed the session. A count of 61 votes was needed to secure the election, which was possible only if all members of the SDPK-Ata Meken-Respublika parliamentary majority voted as per the earlier achieved arrangements. However, on the day following the vote, two members of Respublika claimed they had voted against Tekebayev’s candidacy contrary to the coalition’s agreement since they were acting “in line with their personal convictions.” The outcome of the vote was quite predictable given the absence among political party leaders of management leverage as instruction, ie, the need for strictly sticking to the arrangement under the threat of a recall of members of parliament. Tekebayev’s highly controversial persona was openly and tacitly torpedoed by both leaders of Ata Jurt and Ar Namys and several “brothers-in-coalition.”

The second and successful attempt to form a coalition

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majority in parliament was undertaken by Respublika whose leader Omurbek Babanov was given a presidential mandate to form a government. As a result of consultations conducted by Babanov, a new coalition of three parties was formed: Respublika, SDPK and Ata Jurt, with the latter not even trying to conceal its closeness to the family of ousted president Bakiyev. Moreover, names of the Ata Jurt party leaders were mentioned in the notorious telephone conversation between Bakiyev's son and his brother posted on YouTube during which the Ata Jurt leaders were mentioned as those who would play the primary roles in an overthrow planned by Bakiyev's family and circle. One of the Ata Jurt leaders, Kamchibek Tashiyev, promised publicly during one of the rallies in South Kyrgyzstan to return the ousted President not only to the country but also straight to the top of the political Olympus. Nevertheless, since voters in South Kyrgyzstan supported Ata Jurt based on their regional preferences, the SDPK-Respublika-Ata Jurt coalition had brighter prospects, as proved by the voting results.

One should also take into account the vast resources Ata Jurt disposes of, its strict system of controlling the actions of its MPs and its support among criminal circles which amid weakness of the state is a powerful tool of pressure.

On 17 December, the protracted first session of parliament resulted in the election of speaker, prime minister and first prime minister and the announcement of the terms of the coalition agreement reached between the three political parties. The office of speaker was occupied by Akhmatbek Keldibekov (Ata Jurt), prime minister by Almazbek Atambayev (SDPK), and the office of first prime minister was allocated to Omurbek Babanov (Respublika). The first session also saw the extension of the effect of the previous parliament's order of procedure and the formation of a parliamentary commission called to investigate

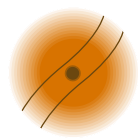
the causes of the June 2010 interethnic conflict in the nation's south.

On 23 December, parliament approved the structure of the committees and their personal composition. Of the 16 parliamentary committees, five were chaired by SDPK representatives, and four apiece are now headed by representatives of Respublika and Ata Jurt, with two committees headed by representatives of Ar Namys and only one headed by a representative of Ata Meken. Chairs of deputy speakers were claimed by representatives of all parties including Ata Jurt whose leader now chairs parliament.

Summarizing the results of the alignment of forces in parliament, one should note the utter loss suffered by the more consistent proponent of parliamentarianism, Ata Meken, which lost its leading positions and announced its official status as the parliamentary opposition party.

The first session of the new government and introduction by the president of the cabinet of ministers took place on 20 December. Although the full composition of the cabinet has yet to be established, it is clear that key offices are now held by SDPK and Respublika.

On 15 November, the Kyrgyz capital saw the commencement of open court hearings in relation with the April events that resulted in the deaths of dozens of people and a change in the political regime. Materials concerning this criminal case have been grouped into more than fifty volumes. The prosecution is charging 28 people, six of whom had been put on the international wanted list including former president Kurmanbek Bakiyev, his brother Janysh Bakiyev, head of the state protection service, his son Maxim Bakiyev, along with ex-prime minister Daniyar Usenov, ex-head of the state service for national security Murat Satalinov, and the ex-head of Arstan, the special security force of the state protection service, Esenbay uulu Baiysh. The case



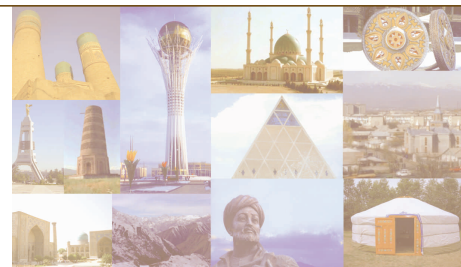
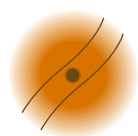
against the six defendants will be heard by the military court in absentia. The most resonating criminal case of the year involves 18 attorneys and defence representatives, seven public prosecutors, 306 victims and their 78 legal representatives, 129 witnesses as well as journalists and civil society leaders. The court hearings did not commence in a court building but rather in the capital's Palace of Sports whose concert hall was specially reequipped for the purpose. Almost all the defendants are charged with breach of power, use of violence and complicity in the premeditated murder of two or more persons.

From the very start, these court hearings attracted special attention on the part of both public and international NGOs. Leaders of several Kyrgyz human rights organizations noted that the proceedings are highly political which affects their objectivity. Pressure from the victims and their relatives present in the hall also impacted the defendants' attorneys, with 15 of them refusing to continue participating in the proceedings citing insufficient security measures. On 22 November, a regular hearing was delayed owing to the absence of three main defendants: former prosecutor General Nurlan Tursunkulov, former head of the president's administration Kanybek Joroyev, and former head of the president's secretariat Oksana Malevanaya. It turned out later that all three of them had fled Kyrgyzstan with their families. The identities of those who helped the defendants cross the Kyrgyz borders are still unknown.

On 30 November, the court hearings were suspended indefinitely. At 8.50 a.m. an explosion thundered from the northern side of the Palace of Sports where the hearing was scheduled to commence at 10 a.m. Luckily, not a single peaceful citizen was killed, although two police officers suffered minor injuries. A day earlier, on 29 November, the city of Osh witnessed a shootout between security services and terrorist suspects. During the shootout, one of the

security force specialists was wounded, three suspects were killed and a large weapons cache discovered. On 23 November, officers from the internal affairs ministry detained a group that had planned a series of terrorist acts in crowded areas, public buildings, state institutions and the offices of international organizations. On 11 December, law enforcement bodies captured several people in Osh in connection with terrorist activities. During the capture, law enforcement officers discovered machine guns and 15 kilograms of explosive material. On 25 December, an improvised explosive device (10 kg TNT equivalent) was found in an abandoned car near the capital's chief directorate for internal affairs (CDIA). The car was found by CDIA officers at 4 a.m. which enabled the authorities to avoid fatalities and destruction in the heart of the city. During a routine ID check on the outskirts of the city on 4 January, three unarmed police officers were killed. On 5 January, during a special operation in a capital's suburb, an "Alpha" security force operator was killed.

The problem of trying to guarantee security in November and December 2010 turned out to be one of the main topics of public discussions. The weakness of state bodies responsible for security and law and order, problems with the chain of command, transparent state borders amid the rise of local crime circles and international drug trafficking networks made Kyrgyzstan a convenient territory for the proliferation of radical Islamic groups. In his interview, Keneshbek Duishebayev, chairman of the state service for national security, noted facts evidencing the appearance in Kyrgyzstan of not only foreign emissaries but also local terrorist groups, such as Jaishul Makhdi (Army of Righteous Ruler), which is said to be responsible for the seven crimes committed in 2010 and early 2011, including explosions near the Palace of Sports and the Bishkek Synagogue and the murder of the three police officers and a security force operator. According to the head of the nation's security service, members of Jaishul Makhdi aimed to overthrow the secular regime and



establish a caliphate in the territory of the Kyrgyz Republic and Central Asia via acts of deterrence and other terrorist actions.

Foreign and international policy

In November and December, local and international public attention was drawn to the deliveries of fuel for the Transit Transportation Centre, the current name of the Manas airbase where the international counter-terrorist coalition forces engaged in Afghanistan are stationed. The Pentagon's contract for the delivery of fuel to the Centre was won again by the Gibraltar-based Mina Corporation which, in the Kyrgyz government's opinion, has corrupt connections with former presidents Bakiyev and Akayev.

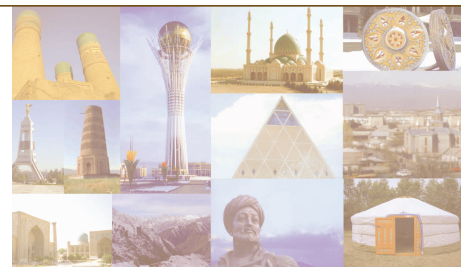
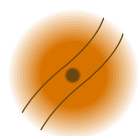
The investigation launched in April by the US Congress house subcommittee for national security and international affairs was supposed to establish the existence of breach of contract and bad-faith deals with former Kyrgyz presidents or people from their circles. On 11 November, the American ambassador to Kyrgyzstan, Tatiana Gfoeller, noted during her speech delivered on a national TV channel that the investigation conducted by the United States was over and that no facts corroborating the charges had been discovered. She also stressed that if Kyrgyz investigators found "persuasive evidence," the U.S. investigation could be resumed. Dissatisfied with the results of the investigation, the Kyrgyz side made a public statement about the need for an objective and impartial study of the facts in relation with the operations of Mina Corp and Red Star Enterprises, recalling that there were facts relative to the re-exportation of Russian fuel intended for domestic civilian transportation in Kyrgyzstan into Afghanistan for the war effort there.

According to several independent Kyrgyz analysts, the Bakiyev family started actively engaging in the air fuel business in the period 2006-2007 and simply

could not help but maintain contacts with both American contractors and Russian suppliers. Given the total lack of control and virtual monopoly on doing business enjoyed by the second president's family and his close associates, the displeasure of Kyrgyz officials can be more than substantiated. A different perspective was based on the "Russian background" of the differences of opinion with regard to deliveries of fuel for the Manas airport centre where stakeholders include, first and foremost, Gazprom Neft Aero, Closed Joint-Stock Company with its affiliated Kyrgyz intermediaries. One should note that Kyrgyz investigative bodies, on whose timely and professional actions the evidence and proof under this investigation heavily depended, failed to render any assistance to the U.S. Congressional Commission which may in turn have affected its verdict regarding the activities of Mina Corp in Kyrgyzstan.

At any rate, disagreement over the deliveries of the air fuel did not create any obstacle to a successful visit by U.S. State Secretary Hillary Clinton to Bishkek in early December, during which she warmly praised the Kyrgyz government's efforts to restore peace and harmony and its progress in democratic development.

The complex political situation in Kyrgyzstan from April through December 2010 was used by the Russian foreign policy agency and especially officials in Astana to strengthen their image as peacekeepers. For instance, Russia's foreign affairs minister Sergey Lavrov said that "through joint actions, the Collective Security Treaty Organization (CSTO) was able to stabilize the situation in South Kyrgyzstan", while it is widely known that in response to the Kyrgyz authorities' request to the CSTO for the introduction of forces during the bloody June conflict in Osh and Jalal-Abad, this organization limited its input to one extraordinary meeting alone to discuss the situation in the Kyrgyz Republic. Kazakhstan, which closed its borders to Kyrgyz goods and inflicted multi-million dollar damage on Kyrgyz business, repeatedly and at various levels up to the head of the state,



emphasized its decisive role in resolving the crisis situation in Kyrgyzstan.

Economy and business enterprise

The 27 November launch of the first hydroelectric generating unit of the Kambar-Ata Hydroelectric Power Plant 2, whose energy started feeding the Central Asian joint energy system, became an event that carried more political rather than economic significance. Electrical energy is one of the most important industries of the nation's economy and a material contributor to Kyrgyz exports which suffered badly in 2010 from the closure of the Kazakh and Uzbek borders. Exports of electrical energy grew 66% and turned out to be one of the few positive events of the period in question.

In terms of many indicators, 2010 became a negative year for the Kyrgyz economy. Kyrgyzstan slipped to last place among CIS nations in terms of the minimum wage criterion. In terms of the ease of paying taxes indicator estimated by the World Bank and International Finance Corporation, the nation ranked 150th, while neighbouring Kazakhstan rose to 39th place. In fairness to Kyrgyzstan, though, it should be noted that its regional neighbours Uzbekistan and Tajikistan only ranked 154th and 165th respectively. With respect to the criterion of competitiveness of economy, the Kyrgyz Republic found itself in 106th place out of 139 nations which evidences a significant negative impact of taxation on business.

There is also call to mention that out of the \$118 million promised by donors to support the state budget, the nation effectively only saw \$82.8 million. The international community's expectations regarding the formation of a coalition government also affected the fulfilment of promises to support business development and infrastructure recovery.

Positive factors include the improvement of GDP

growth projections, which were changed by the finance ministry and economic regulation ministry from -4.5% to -1.5%. The consumer price index or inflation remained high having exceeded 19%. The volume of remittances from Kyrgyz citizens working abroad reached \$900 million by December 2010, an unexpectedly high figure amidst the tightening of regulations concerning Kyrgyz labour migrants in Kazakhstan and Russia.

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