# **Update Briefing**

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# **Kyrgyzstan: A Deceptive Calm**

## I. OVERVIEW

Long viewed as a relatively liberal aberration in Central Asia's authoritarian landscape, Kyrgyzstan has since the autumn of 2007 transformed its political system into a functional one-party state ruled by a small elite, with President Kurmanbek Bakiyev's family at its core. The key change came in December when, after an electoral campaign widely criticised for blatant bias in favour of the ruling party, a new parliament was returned that is dominated by Ak Zhol, President Bakiyev's newly-created political machine, with decorative roles assigned to two parties that were apportioned seats in contravention to the electoral code. The opposition, sidelined by events, has lapsed into apathy, and a superficial calm has overtaken the usually boisterous political scene. This calm may, however, prove deceptive, given worsening corruption, increasing disillusionment with politics and a series of major economic crises that could strike before year's end.

Thus far the changes have achieved one result: parliamentary democracy in Kyrgyzstan has been hobbled. The task of the new legislature, presidential aides say bluntly, is to implement the president's will with minimal discussion and zero dissent. Though the innovations bear strong resemblances to both the Kazakh and Russian political systems, they were not introduced because of outside pressure. They are a good example of how the Vladimir Putin model of governance is being copied in Central Asia for personal interest rather than ideological affinity.

The president's team was motivated purely by the desire to concentrate power in its hands. Bakiyev's advisers claim they want to break out of the political paralysis and infighting that has marked the time since independence in 1991. The liberal democratic model has failed, they say; the Russian model of limited democracy, a marginalised opposition and strong presidential power is far better suited to the country at this stage in its development. They speak of pushing through over the next two years a program of radical privatisation, particularly of energy resources. Though there has been little sign of this so far, the ruling elite remains committed to selling off large parts of the country's energy infrastructure as soon as it can.

The changes seem less a revolution than an intensified version of policies pursued by Bakiyev's predecessor, Askar Akayev. The Akayev administration also concentrated power in family members and close supporters, played opposition factions off against each other, but was eventually overthrown in 2005 by the disgruntled political and business elite, led by Bakiyev, in the grandiloquently named Tulip Revolution. Instead of opening up politics, however, Bakiyev, too, is creating a system whose hallmarks are overweening control by the ruling family, widespread corruption and, most significantly, a monopoly over economic and political patronage. Critics allege that the newly strengthened political dispensation will simply transfer key national assets to the president's relatives and close supporters.

There is concern also that Bakiyev's "national agenda" is in fact a collection of personal, short-term priorities, and that major issues in need of attention – among them grinding poverty, HIV/AIDS and narcotics – will be ignored. Given the opposition's disarray, there is little likelihood that Bakiyev's plans will face any serious political challenge in the short run. He seems determined to stay in office until 2015 and then hand over to a successor who can be trusted to defend his family interests.

First, however, the Bakiyev administration has to survive the next winter. The success of the election operation infused the president's team with a sense of infallibity that borders on hubris. The challenges it is facing now, however, are infinitely more complex than choreographing an election.

Inflation is developing disconcerting momentum. Food prices increased in the first six months of the year by at least 20 per cent. A major energy crisis, triggered by domestic factors, not world prices, is looming. Government handling of these issues has not been impressive. Complacency and vague talk of emergency plans has given way to appeals for outside aid, calls for a 30 per cent cut in winter electricity consumption and warnings there will be only enough power for light, not heating. Even more disturbing for the regime, perhaps, is growing speculation within society that it is not just mishandling the economy, but that corrupt members of the Bakiyev administration themselves contributed to the energy crisis. Such street talk is often based on little more than gossip but

is frequently a sign of eroding confidence in the state. Many observers, including some presidential advisers, feel that pent-up popular anger – at spiralling food and fuel prices, power cuts and drastically declining public services – could well erupt when the weather turns cold.

#### II. BREAKING THE PARADIGM

In late 2007 President Bakiyev announced a radical shift in political strategy. First elected to a five-year term in August 2005, after overthrowing Askar Akayev in March, Bakiyev had promised a new era of democracy and clean government, for a while positioning himself as a close ally of the U.S. Quickly, however, he became embroiled in tense confrontations with the opposition – many of them one-time allies in the anti-Akayev revolt – and a powerful and unruly parliament. In April 2007 he was able to split the opposition by appointing a prominent opponent, Almazbek Atambayev, prime minister. Bakiyev followed this up by calling in September for constitutional changes to be put to a national referendum. These included amendments that would inter alia abolish constituency elections in favour of a proportional vote based on party lists, as well as a new electoral code.

Declaring that reform efforts since the overthrow of Akayev had reached a "dead end", Bakiyev outlined ambitious changes, including increased executive powers that brought regional administrators directly under the president.<sup>2</sup> The same day he announced he would set up his own political party, which officially emerged the following month under the name Ak

<sup>1</sup> Кигталbek Вакіуеv, "Послание Президента народу Кыргызской Республики" ["Message to the people of Kyrgyzstan by the president of the Kyrgyz Republic"], 19 September 2007. For earlier Crisis Group reporting on Kyrgyzstan, see Asia Report N°150, Kyrgyzstan: The Challenge of Judicial Reform, 10 April 2008; Asia Briefing N°76, Political Murder in Central Asia: No Time to End Uzbekistan's Isolation, 14 February 2008; Asia Briefing N°55, Kyrgyzstan on the Edge, 9 November 2006; Asia Report N°118, Kyrgyzstan's Prison System Nightmare, 16 August 2006; Asia Report N°109, Kyrgyzstan: A Faltering State, 16 December 2005; Asia Report N°97, Kyrgyzstan: After the Revolution, 4 May 2005; and Asia Report N°81, Political Transition in Kyrgyzstan: Problems and Prospects, 11 August 2004.

<sup>2</sup> "Message to the people of Kyrgyzstan", op. cit. For more on the theory of "power vertical", see section III.A below. In a speech later in September, Bakiyev justified his decision by saying that "our state was on the verge of collapse", 28 September 2007, at www.president.kg/press/vistup/2625/.

Zhol (Bright Path). The thrust of the strategy was clear, the Russian daily *Kommersant* noted: the creation of "a new system of power in which all key levers will be in the hands of the head of state".<sup>3</sup>

## A. REFERENDUM

The referendum on 21 October 2007 overwhelmingly endorsed the proposals. Bakiyev immediately dissolved the legislature – which, he alleged, had come close at times over the previous two years to launching a "parliamentary coup" - and called early elections for 16 December. The president's satisfaction notwithstanding, there were widespread allegations of falsification and the use of "administrative resources" - techniques that included pressuring government employees and demanding that regional and local leaders ensure the ruling party's victory in their area. A Central Election Commission (CEC) department chief stated that the real turnout had been 25 per cent, an assessment echoed by Western diplomats, not the 80-plus per cent announced by the government.<sup>5</sup> A senior politician who was at the time the governor of a major southern region, meanwhile, asserted that in his area no more than 40 per cent had voted.<sup>6</sup>

Opposition parties paid scant attention to the referendum, preferring instead to prepare for the widely anticipated early legislative elections. Asked why the opposition had not criticised the draft constitution and electoral code, a prominent opposition activist, Omirbek Babanov, replied: "Why waste time?" He was already planning for the parliamentary elections, he said, and had no time for the referendum.

Many observers, including government political consultants, described the referendum as a political trap for the opposition. And, they noted, the opposition walked right into it. Valentin Bogatyrev, a political analyst and consultant to the presidential administration, expressed surprise at its short-sightedness. "Had I been in their place, I would not have accepted the

<sup>&</sup>lt;sup>3</sup> "Курманбек Бакиев указал Киргизии 'Светлый путь'" ["Kurmanbek Bakiyev directed Kyrghizia to the 'bright path'"], *Kommersant*, 16 October 2007, at www.kommersant.ru/doc.aspx?DocsID=815314.

<sup>&</sup>lt;sup>4</sup>Text of a statement by President Bakiyev, carried inter alia at www.24.kg, 22 October 2007.

<sup>&</sup>lt;sup>5</sup>Crisis Group interview, Bishkek, November-December 2007. <sup>6</sup>Crisis Group interview, Bishkek, November 2007. The official linked his abrupt dismissal with the low turnout in his region. After his dismissal, corruption charges were brought against him – another part of the punishment, he claimed.

Crisis Group interview, Bishkek, October 2007.

new constitution or the referendum results", he said, "and I would have refused to take part in the parliamentary elections". Speaking shortly before the elections, one of the president's closest advisers and political strategists expressed satisfaction that the opposition was so easily fooled. "Our calculus was that they would accept both referendum and elections..., and they did. We know how they think. They are under the illusion that the people love them. But we know the people are tired of them".

The opposition's problem was, the presidential adviser continued, that it thought the elections would be business as usual, with some opposition parties being allowed modest representation in the parliament. This would have preserved their considerable and lucrative powers of patronage. Political power has always been intertwined with business in Kyrgyzstan. Political office or membership of parliament allows a politician – or businessman turned politician – to promote his interests and those of his allies. It provides an inside track to contracts, acquisitions of valuable real estate and businesses, as well as what is known, in a term borrowed from the criminal world, as a "roof" (krysha) or shelter against the predations of the tax authorities and competitors. This whole process has been aptly characterised by a leading Kyrgyz political scientist as the conversion of power into money.<sup>10</sup>

The president's strategists were determined to break the symbiotic relationship between government and opposition, establishing in its place a monopoly over patronage. The opposition's days are numbered, a fundamental change is underway in the political system, and there is no room for the opposition, the above-cited presidential adviser continued. "They are in their death throes and they do not even realise it". 11

#### **B. DECEMBER ELECTIONS**

Government officials and presidential advisers were quietly confident as the elections approached. One admitted that Ak Zhol polling figures were lower than he would like. But, he added, "the votes will be correctly counted, and [we] will obtain the necessary result". Western diplomats, meanwhile, noted extensive plans to skew the vote in favour of President Bakiyev's party. One commented that the administration had

<sup>8</sup> Crisis Group interview, Valentin Bogatyrev, Bishkek, February 2008.

departed from its normally relaxed approach to governance: when it comes to fixing the elections, he remarked, "they have shown remarkable application". 13

Many of the tactics used to obtain what the official above called "the necessary result" were traditional throughout the former Soviet Union, including Akayev's Kyrgyzstan<sup>14</sup>. Administrative resources were widely mobilised. Media coverage was slanted in favour of the ruling party. Possibly obstreperous opposition candidates were discouraged from standing, by threats to their businesses for example, or removed from the ballot on exquisite technicalities. The most active opposition parties, in particular Ata Meken, were subjected to various forms of minor but time-consuming harassment. 15 Multiple voting was commonplace, and at the end of the day, the vote was simply falsified, observers noted. Presidential strategists, however, said they had adopted some innovations as well. One of Bakiyev's closest advisers added that bogus polling companies fed reassuring data to the opposition, inducing misplaced complacency among some leaders. 16 He and others said that dummy parties had been created or encouraged to dilute the opposition vote.<sup>17</sup>

Presidential strategists said a dynamic new party, Zamandash, was encouraged to draw votes from Ata Meken. Composed of successful younger businessmen, many of whom had made their money in Russia and elsewhere, it was, by its own account, able to build up a formidable following quickly. Just before the elections, a presidential strategist praised its energy, modern marketing techniques and youth, predicting it would "definitely" be in the new parliament. 18 The next day it was removed from the ballot. The electoral code stipulated that candidate lists follow a strict order: after every three males, there should be a woman. 19 In one place, Zamandash leaders said, their slate had four men in a row. A party leader said Electoral Commission workers assured them this error was too minor to cause problems. Once the submission deadline was past, however, the CEC announced the slate

<sup>&</sup>lt;sup>9</sup>Crisis Group interview, Bishkek, 4 December 2007.

<sup>&</sup>lt;sup>10</sup>Crisis Group interview, Bishkek, December 2007.

<sup>&</sup>lt;sup>11</sup>Crisis Group interview, Bishkek, December 2007.

<sup>&</sup>lt;sup>12</sup>Crisis Group interview, Bishkek, 14 December 2007.

<sup>&</sup>lt;sup>13</sup>Crisis Group interview, Bishkek, December 2007.

<sup>&</sup>lt;sup>14</sup>See, for example, Crisis Group Report, *Political Transition* in *Kyrgyzstan*, op. cit., pp. 30-31.

<sup>&</sup>lt;sup>15</sup>For details, see the "Final Report of the Election Observation Mission on the Parliamentary Elections", Organization for Security and Co-operation in Europe/Office for Democratic Institutions and Human Rights (OSCE/ODIHR), www.osce.org/documents/odihr/2008/04/30844\_en.pdf.

<sup>&</sup>lt;sup>16</sup>Crisis Group interview, Bishkek, April 2008.

<sup>&</sup>lt;sup>17</sup> Ibid.

<sup>&</sup>lt;sup>18</sup>Crisis Group interview, Bishkek, 4 December 2007.

<sup>&</sup>lt;sup>19</sup>The new electoral law laid down quotas for men, women, national minorities and persons under 35.

was rejected. A court upheld the decision.<sup>20</sup> "The presidential administration supported us, but the president's brothers were against us", a Zamandash leader later said.<sup>21</sup>

Another party, Rodina, was the subject of a special attention. Predominantly made up of ethnic Uzbeks, it was thought likely to take the bulk of the Uzbek vote in the south. <sup>22</sup> One of its leaders, Kadyrzhan Batyrov, said the presidential administration pressed him to join the Ak Zhol parliamentary list and threatened him with "problems" when he refused. <sup>23</sup> Taking advantage of the population spread of ethnic Uzbeks – the vast majority live in the south, with only a thin sprinkling in the north – presidential operatives devised a new rule. In order to qualify for seats in the new parliament, each party had to obtain at least 5 per cent of the overall vote. They added to the electoral code, however, a second threshold: each party also had to obtain at least 0.5 per cent of the vote in each region. <sup>24</sup>

Administration strategists argued that Rodina would have no chance of breaking this barrier in the north. Some of the president's own strategists resisted the idea on the grounds that it could backfire against Ak Zhol. It was, one remarked, a "bear-trap" that could cripple Ak Zhol's plan to become the ruling party. All that was needed was a "miscalculation" in one region, and it could find itself excluded from the parliament.<sup>25</sup>

On 25 November, however, Rodina came under pressure from another quarter. The CEC announced the department of passport and visa control could not confirm that sixteen of the candidates on Rodina's electoral list were citizens, so the slate was rejected. Though the department of passport and visa control subsequently confirmed that all the candidates were indeed citizens, the courts upheld the CEC decision.<sup>26</sup>

The 0.5 per cent rule remained a source of confusion throughout the campaign. The CEC revised its interpretation on 19 November, saying it referred to 0.5 per cent of all registered voters nationwide, thus making it virtually meaningless in view of the rule requiring a

<sup>20</sup>Zamandash press communication, Bishkek, 4 December 2007.

party to poll 5 per cent of the national vote. Ak Zhol appealed against this ruling twice. Two days after the election, but before the results were announced, the Supreme Court struck down the CEC ruling.<sup>27</sup>

The presidential administration also urged opposition parties to drop more active candidates, or directly threatened the candidates themselves, a number of opposition leaders and independent observers asserted. The most viable opposition grouping, Ata Meken, was urged to remove two leading figures from its list but refused. Expension that the leading figures from its list but refused. Expension figure and funder of another opposition party, Asaba, unexpectedly withdrew from the contest four days before the vote. A leading opposition activist, Azimbek Beknazarov, alleged later that "Nazarliyev met with Maxim Bakiyev [the president's son] several times, and he induced him to leave the party". Expension of the contest for the vote of the president's son] several times, and he induced him to leave the party".

Summarising a number of observer mission reports, a joint statement by the U.S.-based National Democratic Institute (NDI) and the International Republican Institute (IRI) noted widespread violations before and during the vote. "Concerning election day itself, these observer groups reported many vote counting irregularities, ballot stuffing, multiple voting, the significant misuse of early voting and mobile voting procedures, and the widespread revision of precinct protocols at higher-level election commissions". These allegations were echoed by a scathing OSCE report, which noted violations at all steps of the elections.

On polling day, observers found widespread violations. The courts in Bishkek were full of people who had discovered their names had been taken off the ballot and were demanding reinstatement. Some of these, Bishkek residents who had voted in the October referendum, claimed that before the elections they had

<sup>&</sup>lt;sup>21</sup>Crisis Group interview, Bishkek, December 2007.

<sup>&</sup>lt;sup>22</sup>A former head of Kyrgyz State Security estimated that Rodina could have expected to win some 60 per cent of the approximately 340,000 Uzbek voters in the South. Crisis Group interview, Bishkek, January 2008.

<sup>&</sup>lt;sup>23</sup> Crisis Group interview, Bishkek, November 2007.

<sup>&</sup>lt;sup>24</sup>There are seven regions and one city (Bishkek) with region status.

<sup>&</sup>lt;sup>25</sup> Crisis Group interview, Bishkek, December 2007.

<sup>&</sup>lt;sup>26</sup>OSCE/ODIHR, op. cit.

<sup>&</sup>lt;sup>27</sup>Ibid. The report noted: "The belated adjustment of this fundamental element of the new electoral system at such a late stage in the election process meant that election stakeholders did not fully comprehend on what basis they were contesting the election until after election day".

<sup>&</sup>lt;sup>28</sup> Crisis Group interview, political analyst Valentin Bogatyrev, Bishkek, 20 February 2008.

<sup>&</sup>lt;sup>29</sup>Crisis Group interview, Bishkek, 17 December 2007.

<sup>&</sup>lt;sup>30</sup> "Statement on Kyrgyzstan's December 16 Parliamentary Elections", 7 January 2008, www.iri.org/eurasia/kyrgyzstan/pdfs/2008-01-07-kyrgyzstan.pdf. The statement continued: "The volume of observed irregularities suggests that the awarding of seats in the Kyrgyz Parliament does not correspond to Kyrgyzstan's commitment under the OSCE's Copenhagen Document (paragraphs 7.4 and 7.9) to count and report honestly and publicly ballots cast by a free voting procedure".

<sup>&</sup>lt;sup>31</sup>OSCE/ODIHR, op. cit.

been visited by police officers who inquired about their voting intentions. Most of those who had been struck off said they were opposition supporters. Shortly after the elections, three CEC members, clearly more independent-minded than their colleagues, described how the count for Osh, the country's second largest city, had taken place. "They brought in the ballots, and a couple of CEC staffers locked themselves in a back room. They did not let us in, even though we have the right to be present during the count". "32"

Twelve parties were finally cleared to contest the elections. Three made it into parliament, but only one, Ak Zhol, via votes allegedly cast, senior Ak Zhol figures and presidential advisers admitted later. The Communists of Kyrgyzstan and the Social Democratic Party of Kyrgyzstan (SDPK) were included for appearances, they admitted.<sup>33</sup> With 95.44 precincts reporting to the CEC on 17 December, the Communists had 73,830 votes, around 3 per cent, well below the minimum required. With 99.96 per cent reporting, two days later, they had doubled their votes and qualified.<sup>34</sup> The Social Democrats' total increased over this period from about 109,000 to over 188,000.<sup>35</sup>

Both parties were "allowed" into the parliament, a senior official and a presidential adviser said. A close presidential adviser said this was to give parliament a semblance of balance and legitimacy. Confirming that neither Communists nor Social Democrats made it into the new legislature through the ballot box, a ranking Ak Zhol parliamentarian later remarked: "It was decided that they were the least harmful and were not likely to get underfoot and impede the process". The seats were allocated to Ak Zhol, eleven to the Social Democrats and eight to the Communists.

The falsification of the vote was the most striking sign of the new convergence of political strategies in Bishkek and Moscow. The similarities between the Russian and Kyrgyz parliamentary polls, both of which took place in December 2007, were remarkable. A study of the 2 December Russian Duma elections stated that during the count figures for United Russia

(the presidential party) were inflated by at least 12 to 15 per cent, while opposition parties had their share cut by anything from 2 per cent to over 50 per cent. "The distinguishing features of falsification ... were a) that they were substantially greater than previously ... and b) their blatancy: the state no longer is embarrassed by falsification, as they were in the past, and has no problem declaring obviously unrealistic figures", the report noted.<sup>39</sup> Russian "political technologists" are often rumoured to assist the Kyrgyz presidential administration with political strategy, but Kyrgyz officials deny this.

#### III. THE NEW POLITICAL SYSTEM

#### A. PARLIAMENT AND POLICIES

Summarising the state of Kyrgyzstan earlier in 2008, an official U.S. report seemed slightly bewildered. "Political turbulence seems endemic. The constitution has been changed three times in the past twelve months. During that time, there have been three prime ministers, three cabinet changes. Although the most open democracy in the region, achieving the goal of open democracy – a primary U.S. government objective – may be a chimera". <sup>40</sup>

In fact the country's newly triumphant leaders were already moving away from that goal towards a system they maintained better suited the country – and, their critics assert, their own interests. The elections were a necessary prelude to the creation of a new political system, a senior Ak Zhol figure stated. A strong centralised state would replace the "decentralising tendencies" of traditional Western-style democracy. Liberal democracy may be the ideal, the parliamentarian continued, but was scarcely suitable for a country like Kyrgyzstan which lies "halfway between the West and the East" and needs "limited democracy". <sup>41</sup> If Ak Zhol turns into something like Russia's ruling

<sup>&</sup>lt;sup>32</sup>Crisis Group interview, Bishkek, December 2007.

<sup>&</sup>lt;sup>33</sup>Crisis Group interviews, Bishkek and Kyrgyz parliament, April 2008.

<sup>&</sup>lt;sup>34</sup>As cited in OSCE/ODIHR final report, op. cit., p. 27.

<sup>35</sup> Ibid

<sup>&</sup>lt;sup>36</sup>Crisis Group interview, Bishkek, April 2008.

<sup>&</sup>lt;sup>37</sup>Crisis Group interview, Bishkek, 21 April 2008.

<sup>&</sup>lt;sup>38</sup> The main opposition party, Ata Meken, easily cleared the 5 per cent threshold but was excluded from parliament on the grounds that it failed to gain 0.5 per cent in Osh. "Kyrgyzstan Profile", UK Foreign and Commonwealth Office, at www.fco.gov.uk/en/about-the-fco/country-profiles.

<sup>&</sup>lt;sup>39</sup>Nikolai Petrov, "Какая власть – такие и выборы. Николай Петров" ["As goes the state, so go the elections"], Carnegie Moscow Center, March 2008.

<sup>&</sup>lt;sup>40</sup> "Inspection of Embassy Bishkek, Kyrgyzstan", 28 February 2008, http://oig.state.gov/documents/organization/105234. pdf. A British Foreign Office report of the same period noted more explicitly that "[c]orruption, including at all levels of government, and the influence of organised crime appear to be increasing". "Kyrgyzstan Profile", op. cit.

<sup>&</sup>lt;sup>41</sup> Crisis Group interview, Bishkek, 20 April 2008.

party, United Russia, "there won't be any superforward movement, but we will have stability".42

The new parliament is intended to symbolise the changes. There are to be no more open-ended debates - "political shows," the senior Ak Zhol figure called them. But though Bakiyev himself claimed that the parliament would have a central place in the new political system, his aides and advisers make it clear that its task is to rubber stamp decisions emanating from the president's office. Discussion is not to be encouraged. As a close presidential adviser put it, "we do not need a pluralistic parliament. They go on too much". 43 As they assembled their new system, Kyrgyzstan looked increasingly to Moscow for inspiration. The term "power vertical" is taken from Vladimir Putin's vocabulary and refers to the tight subordination of key areas of governance to the president as part of what is often described in Russia as guided democracy. 45 The parliament, with its obedient majority and decorative, powerless opposition, is reminiscent of the Russian Duma.

Discipline within the Ak Zhol parliamentary group is strict. "If a person wants to express their opinion, they can surrender their mandate", an Ak Zhol official said. 46 Most decisions are taken in committee sessions. Deputies said they usually receive detailed documents on the issues to be discussed with minimal notice. "They bring materials for the next day's session at five in the evening", said one. "I vote and I don't know what I am voting for. I don't have time to work out what is what". 47 During plenary sessions, deputies are allowed two minutes for a question and a maximum of five minutes for a speech. 48 But committee recommendations are usually voted on before speeches and questions, a deputy remarked, "so our questions and speeches have no point". 49 Despite optimistic talk by some would-be Ak Zhol ideologues, the parliament, like the ruling party, seems less a cohesive group of like-minded politicians that a hastily assembled collection of people whose main virtue is pliability.

Political observers said the parliament reflects the splits within the Bakiyev team, most notably between the faction led by one of the president's brothers, Zhanysh, and the president's younger son, Maxim Bakiyev. Both are thought to have strong contingents of supporters among the 71 Ak Zhol members though Zhanysh's reported desire for a seat in parliament went unfulfilled for unexplained reasons. It is reasonable to assume that in the long run the family splits will play themselves out in parliament. But for the time being, the legislature is fulfilling the meek and malleable role assigned to it. On 17 April, when it was called upon to discuss arguably the most important economic decision facing Kyrgyzstan today, privatisation, parliament sent it back to the Council of Ministers, telling it to decide. A law passed on 26 May subsequently gave the government exclusive responsibility for most aspects of the privatisation policy.<sup>50</sup>

#### **B.** OPPOSITION

Both the election campaign and its aftermath were disasters for the opposition and gave rise to the conclusion among some analysts that its current leaders had outlived their utility. Before the elections opposition leaders debated at length a united strategy, aiming at preventing the falsification of the polls. A key element was to secure the election- and countingoperation in Talas, a major opposition stronghold. The plan was to flood the constituency with activists, thus ensuring that Ak Zhol would not be able to fix the result, and ideally keep Ak Zhol out of the parliament under the 0.5 per cent rule.

The plan collapsed on the day. One prominent leader, Azimbek Beknazarov, said that eight leaders had agreed to go to Talas for the operation, but he was the only one to show up.<sup>51</sup> Ak Zhol, on the other hand, sent a group of political heavyweights, and the presidential party prevailed. Opposition leaders seemed more interested in waiting for their "share" of the results than monitoring proceedings. Late on 16 December 2007, election day, almost all leaders interviewed asserted that their party was in second position nationally, behind

<sup>&</sup>lt;sup>42</sup> Ibid.

<sup>&</sup>lt;sup>43</sup> Crisis Group interview, Bishkek, April 2008.

<sup>&</sup>lt;sup>44</sup> вертикаль власти in Russian.

<sup>&</sup>lt;sup>45</sup> Putin has officially or unofficially transferred most key elements of the power vertical to the prime minister's office since assuming that position in May 2008.

<sup>&</sup>lt;sup>46</sup>Crisis Group interview, Bishkek, 21 April 2008.

<sup>&</sup>lt;sup>47</sup>Crisis Group interview, member of parliament, Bishkek,

April 2007. 48 Rules of the Zhorogku Kenesh (parliament), as amended 25 January 2008.

<sup>&</sup>lt;sup>49</sup>Crisis Group interview, Gulzhamal Sultangaliyeva, Communist faction, Bishkek, 28 April 2008.

<sup>50 &</sup>quot;О внесении изменетй и дополнений в закон 'о приватизации государственной собственности в Кыргызской Республике" ["On the insertion of changes and additions to 'the law on the privatisation of state property in the Kyrgyz Republic", 26 May 2008. The privatisation of some "strategic objects", including major rail systems and hydro-electric projects, still requires parliamentary approval.

<sup>&</sup>lt;sup>1</sup>Crisis Group interview, Bishkek, December 2007.

Ak Zhol.<sup>52</sup> One admitted that he had not been in touch with his counterparts all day.<sup>53</sup>

The opposition's unimpressive performance was in part due to its intimate relationship with the country's political leadership – as one oft-repeated saying has it, the opposition denounces the government in the day and goes to the same weddings in the evening. Many have grown rich on their access to power and are now afraid to lose everything by being too energetic in opposition. Disorganisation and disunity continued to mark their behaviour in the months following the polls. A few demonstrations were announced, produced a tepid turnout and were quickly dispersed by the police.

In January 2008, the opposition announced plans to organise an alternative parliament, and elected as its speaker Abdygany Erkebayev, who had held the actual position under Akayev. It came out with its first substantive post-election initiative only in late May, after lengthy consultations: plans to write a "new conception" for Kyrgyzstan's development. The opposition has been "broken" by the regime's efficient and ruthless onslaught, said a prominent businessman. The current group of leaders cannot agree on anything. "They will try demonstrations and things like that, "but they have no inner resources left, no political resources, and no money". <sup>54</sup>

## C. A STATE OF FEW CHECKS, NO BALANCES

By destroying the opposition and creating in effect a one-party state controlled by a narrow group of relatives and trusted aides, the Bakiyev administration has eliminated the traditional checks and balances that operated, albeit imperfectly, in Kyrgyzstan until now. All limitations on the new structure – often referred to as the "family-clan-system" – are essentially internal and functional rather than constitutional. They include the cohesiveness of the presidential team; the president's own health; the ability of the top leadership to control or co-opt the traditional source of political unrest, the country's small but vociferous political elite; and the ability to maintain law and order during a period of rapidly increasing prices for food and fuel.

Splits within the ruling family are a potentially serious problem. Observers agree that the election was, in a perhaps perverse way, a great success for the Bakiyev team. But they are still debating which Bakiyev team

<sup>52</sup>Crisis Group interviews, Bishkek, 17 December 2007.

was more successful. The problem is that there are two. Kurmanbek Bakiyev has a large, influential and ambitious family. Prominent within it are his five brothers. Most are reported to have their own spheres of influence: Marat Bakiyev, ambassador to Germany, is widely described as dispensing patronage within the judiciary, for example. Another brother, attached to the Kyrgyz embassy in China, is believed to play a major role in trade with that country. A third is the president's informal pro-consul in the south. But it is Zhanysh Bakiyev, a 50-year-old police general, who is universally viewed as the most influential brother.

Zhanysh slipped out of the spotlight after a 2006 scandal connected to allegations that a leading opposition figure, Omurbek Tekebayev, had been involved in smuggling narcotics. Tekebayev insisted that the drugs were planted by the security services, and charges were dropped after video evidence from a closed circuit camera showed him to be innocent. Zhanysh subsequently resigned as deputy head of the State Committee for National Security (known by its Russian initials GKNB), to spend more time on a charitable fund named after his dead brother. In practice he was and is believed to oversee the activities and top-level nominations of the police, the security organs, the counter narcotics body and the general prosecutor's office.

#### 1. Family rivalries

Probably the most influential member of the family, however, albeit at this point by a slender margin, is Maxim, the younger of the president's two sons. A Moscow-educated and domiciled businessman aged 30, he is increasingly seen as the key power behind the presidential throne. If Zhanysh is a traditional product of the Soviet police and security establishment, Maxim is an ardent admirer of Western capitalism. He has extensive interests in and outside Kyrgyzstan and has been described in the media as the richest man in the country. Most senior officials either deny any competition between the two men, or

<sup>&</sup>lt;sup>53</sup>Crisis Group interview, an Ata Meken leader, Bishkek, 16 December 2007.

<sup>&</sup>lt;sup>54</sup>Crisis Group interview, Bishkek, June 2008.

<sup>&</sup>lt;sup>55</sup> Another brother, Zhusup, died in 2006.

<sup>&</sup>lt;sup>56</sup> See "Допинг для оппозиции Подброшенный спецслужбами Киргизии героин пошел впрок противникам президента" ["Doping up the opposition: heroin planted by Kirgizia's special services came in handy for the president's opponents"], *Kommersant*, 13 September 2006, at www.kommersant.ru.

<sup>&</sup>lt;sup>57</sup>Zhanysh Bakiyev denied any role in the incident and pursued an ultimately successful lawsuit against the parliament to clear his name.

<sup>&</sup>lt;sup>58</sup> See, for example, "Doping up the Opposition", *Kommersant*, op. cit.

claim it is good natured. In fact there is little doubt that the rivalry is fierce.

One indication of this was the reaction to an incident during the last Orthodox New Year. A courier reportedly delivered a gift-wrapped parcel to the residence of Medet Sadyrkulov, the chief of the presidential administration. The box was said to contain a severed human ear and fingers. Though the incident made the local media only in a bowdlerised form, <sup>59</sup> it was quickly interpreted in political circles in Bishkek as a warning from the Zhanysh faction to Sadyrkulov, who is one of Maxim Bakiyev's closest associates. A senior presidential adviser subsequently confirmed the identity of the recipient, and said that the box had probably been prepared somewhere within the security services.<sup>60</sup> Soon after the incident, sweeping changes were announced in the top echelons of the interior ministry.61

Most observers feel the more nimble Maxim is gradually outmanoeuvring his uncle, but for the time being he is at best primus inter pares. 62 "Sometimes it's im-

<sup>59</sup> See "ухо и палец бездомного, чей труп найден милицией в аламудунском районе кыргызстана, были подброшены влиятельному чиновнику" ["The ear and finger of a homeless man, whose corpse was found in Alamudin region by the police, was deposited with an influential official"], at www.24.kg.

possible to know who has more influence over the president: the son or the brother", said a person who has close relations with both. 63 The delicacy of the power equilibrium was illustrated by two events in late May and early June 2008. First, the speaker of parliament, Adakhan Madumarov, was voted out of office on the initiative of the Ak Zhol faction. He was widely believed to be an Zhanysh intimate. But any idea that Zhanysh had lost ground in the family rivalry was apparently dispelled when the president announced that the new commander of the State Protection Service - his chief body guard - would be Zhanysh.<sup>64</sup> This has been widely interpreted as a sign of Zhanysh's rise, but a source close to the president claims the opposite. The new job will occupy every hour of Zhanysh's working day, he said, so that he will have no time to "stick his nose into politics".65

# 2. How not to handle a visit: the president's "health crisis"

The bungled handling of the president's private trip to Germany – ostensibly for a break, almost certainly for serious but not life-threatening surgery – not only raised still unanswered questions about his health but also left serious doubts about his team's ability to handle developments of even modest complexity.

In late February 2008, President Bakiyev, who usually issues a daily series of statements, decrees or homilies, dropped out of the public eye. It was only on

24.kg, 10 April 2008. A government spokesman denied this, stating that the president "has a team that works smoothly". "Нурланбек Шакиев: В стране нет семейного управления. Президент руководит государством сам" ["Nurlanbek Shakiyev: there is no family run-management of the country. The president leads the country himself"], www. gazeta.kg, 11 April 2008. Beknazarov, a close Bakiyev ally in the struggle against Akayev, crossed swords with the president's family early in the Bakiyev presidency and was dismissed (he now says he resigned) as prosecutor general in September 2005. He recalled the incident in a newspaper interview earlier this year: "I told [President] Bakiyev to rein in his son, Maxim. It turns out that Maxim said somewhere that Beknazarov is not giving him any peace and ought to be removed. I met Maxim and told him not to plot against me. Then I went to President Bakiyev and told him that since his children are ruling [Kyrgyzstan], I am leaving ...", www. gazeta.kg, 21 January 2008.

<sup>63</sup> Crisis Group interview, former ranking member of presidential administration, Bishkek, April 2008.

<sup>&</sup>lt;sup>60</sup>Crisis Group interview, Bishkek, April 2008.

<sup>&</sup>lt;sup>61</sup> Prosecutors subsequently said two interior ministry officers were being sought in connection with the affair. See "В Кыргызстане двое сотрудников правоохранительных органов, по версии следствия причастных к истории с подброшенными чиновнику отрезанными ушами и пальцами, скрылись" ["Two staffers of the forces of law and order, considered by investigators to be involved in the story of severed ears and fingers dumped on an official, have fled"], www.24.kg, 22 January 2008. When Zhanysh was asked about the incident in an interview in May 2008, he indicated he knew little or nothing about it. "Жаныш Бакиев: Президентских амбиций у меня нет" ["Zhanysh Bakiyev: 'I have no presidential ambitions"], Kyrgyznews, 6 May 2008, at www.kyrgyznews.kg/news/apart/comments/18010. <sup>62</sup>In a much commented-on article published in the Kyrgyzlanguage newspaper De-Facto on 10 April 2008, veteran opposition politician Azimbek Beknazarov alleged that the president had essentially handed over the running of the country to two groups of relatives. One, led by Maxim Bakivev and backed by Medet Sadyrkulov, was in charge of foreign investment, the use of natural resources and privatisation. The other, led by Zhanysh Bakiyev, presidential adviser and former chief of the presidential administration Usen Sydykov and parliament speaker Adakhan Madumarov, handled "the management of the state". For a Russian text of the interview, see inter alia, "Азимбек Бекназаров: Кыргызстаном правят две группировки" ["Azimbek Beknazarov: Kyrgyzstan is run by two groups"], www.

<sup>&</sup>lt;sup>64</sup> www.president.kg/press/news/3320/. The announcement on the presidential site noted rather defensively that in "several" countries the head of state's security is entrusted to family members. Madumarov was dismissed on 29 May 2008.

<sup>&</sup>lt;sup>65</sup>Crisis Group interview, senior presidential adviser, Bishkek, June 2008.

3 March, after an opposition leader had publicly demanded word of his whereabouts, that it was officially announced he was in Germany on a previously unscheduled "brief vacation" expected to last two weeks. This announcement was followed by a total press blackout, without even boilerplate official TV footage or press communiqués from the president's vacation home. The void was swiftly filled by increasingly dire rumours: the president was in a coma, had suffered a stroke, was in the terminal stages of cancer, was beset by advanced cirrhosis of the liver or was dead. One widespread rumour, embroidering generously on the public belief that Zhanysh and Maxim are at daggers drawn, had the president intervening in a shootout between the two men and incurring unspecified injuries.<sup>66</sup>

Rumours reached fever pitch when the president failed to return to Kyrgyzstan in time to address the traditional new year's festivities or even the anniversary of the "Tulip Revolution" that brought him to power. "On the 23rd and 24th [of March] there was no news from the president", said a person with close links to the presidential administration. "His phones were turned off, and very few people in the president's entourage knew what was going on. Even ministers were calling me", he continued, "asking me 'is it true the president is dead?' No one was saying a word. Chudinov [the prime minister] was silent, and panicking". 67

The president finally flew back on 28 March, explained that he had received treatment for a mild problem with his joints and gently admonished his administration for treating the whole affair as a secret. Foreign intelligence sources believe he had a hip replacement. Sources close to the presidency describe the health crisis as a cunning plan to observe how enemies and allies responded. A senior presidential adviser, who takes the line that the silence was a useful test of loyalty, expressed the belief that many of the rumours were put out by career security and intelligence operatives, who had received training in psychological warfare: "Look [for the organisers] among those with officers' epaulettes, either past or present". 68

<sup>66</sup>"On a point of information, Maxim and I are very good shots", Zhanysh Bakiyev told a magazine interview in May 2008. "Let no-one think we would miss". He added that he had "very good relations" with his nephew. "Жаныш Бакиев: Президентских амбиций у меня нет" ["Zhanysh Bakiyev: 'I have no presidential ambitions""], op. cit.

In any case, the health crisis showed both opposition and presidency in a deeply unflattering light. Other than collect and retail rumours, the opposition seemed devoid of ideas. The presidential structures appeared similarly clueless. By opting for silence and inaction over crisis management, they left the impression that they would be incapable of handling a crisis of truly national scale. Reports of behind-the-scenes panic indicated they may not even have given any thought to a succession strategy. Moreover, almost by osmosis, the affair renewed speculation that the president may yet stand down, on health grounds, in favour of a relative or close ally.<sup>69</sup>

### IV. NEW ECONOMIC POLICY

Rapid and radical privatisation was to have been the first item on the new government's agenda. Senior presidential advisers depicted this in dramatic terms: reduction of the state role in the economy essentially to tax collection; total transparency in investment to accompany radical banking reform. All this would, if carried out with enough energy and determination, allegedly solve the financial crisis in a year. 70 A senior presidential adviser predicted that major state holdings would be auctioned off within months of the new government taking office.<sup>71</sup> Outside observers pointed to a pressing need for privatisation: the country's physical infrastructure, in particular as regards energy, is rapidly approaching a crisis point. Without an injection of investment and modern management techniques, some Western diplomats believe, Kyrgyzstan's infrastructure could soon find itself heading towards "the Tajikistan scenario", that is, near-complete collapse. 72

Nothing has happened, however. An initial list of enterprises and state-owned bodies set for privatisation included the company that owns the main international airport, Manas, currently also home to a U.S. airbase, the main phone provider and an array of public utili-

<sup>&</sup>lt;sup>67</sup>Crisis Group interview, former high official of presidential administration, Bishkek, 29 March 2008.

<sup>&</sup>lt;sup>68</sup> Crisis Group interview, Bishkek, April 2008.

<sup>&</sup>lt;sup>69</sup>The health issue reoccurred briefly in July 2008, when Bakiyev made an unexpected visit to Moscow, probably to request Russian aid for the winter (see below). A Moscow daily quoted sources in the president's entourage as saying that "according to some information, the operation carried out on his knee joints in Germany last March had not produced the desired results, and the president of Kirgizia is obliged to look for a new clinic", "Курманбек Бакиев ответил по Манасу и "Дастану" ["Kurmanbek answered for Manas and Dastan"], *Kommersant*, 17 July 2008, at www.kommersant. ru/doc.aspx?DocsID=913168.

<sup>&</sup>lt;sup>70</sup>Crisis Group interview, Bishkek, April 2008.

<sup>&</sup>lt;sup>71</sup>Crisis Group interview, Bishkek, December 2007.

<sup>&</sup>lt;sup>72</sup>Crisis Group interviews, Bishkek, June 2008.

ties. There have been no announcements of any privatisation deals. Bids are expected on three important power-generating facilities, including the Bishkek thermal electric central, but these are complicated by a variety of factors, including the significant debt that the plants have accumulated. Around the same time, an economist in the presidential administration remarked that the final privatisation list had not yet been approved.<sup>74</sup> Outside observers feel that the government lacks the trained personnel to handle valuation of privatisation targets, as well as the evaluation of any offers. Kyrgyz officials point to an additional problem: final decisions on key economic policies are made by a tiny group of close advisers to Maxim Bakiyev, they claim. Official structures are as a result "atrophied". 75

In fact the government has very little time to carry out its privatisation program. Leaders speak of a two-year window, but even some officials note that the next presidential elections are scheduled for 2010. Given the limitations imposed on policies as delicate as privatisation by the campaign season, 2009 is the outer limit for any major privatisation, a senior government analyst noted.<sup>76</sup> Some influential businessmen, meanwhile, take a significantly more jaundiced view, dismissing the reform rhetoric as a smoke screen. "The ideology is a pure formality" and the real motivations very different, said a prominent one who knows the ruling elite well. "These are people who just want to get into Forbes's list" of the world's richest men. One of their favourite tactics is pressuring owners of companies to part with their businesses at a reduced price, and then selling them on at a handsome profit. In other words, he claimed, "it's business as usual". 77

While privatisation is going nowhere, close Bakiyev associates are moving aggressively to buy up as much as possible, sources in the private sector and diplomatic corps assert. Asked what the Bakiyev group now controls in the Kyrgyz economy, one entrepreneur replied, "nearly everything". Though obviously an exaggeration, the remark highlighted the significant impact on economic life of the Bakiyev administra-

tion's patronage monopoly. In the absence of real reform of governance and rule of law, the patronage system plays a clear role. "Laws mean nothing here", said the businessman cited above. "When you run into trouble, when the taxman wants to shake you down, you don't take him to court. You have to phone friends for help".

Competing sources of patronage, in other words, help level the business playing field – albeit by corrupt means. The capacity of "friends" to help has been sharply limited by the changes in the political structure. "In the past there were so many people who wanted to take money from us – members of parliament, officials, ministers – that we did not know where to go [for a] *krysha*", the businessman continued. Now "there is only one destination. People who feel they can do business with the new protector will do so, but a lot of companies will cut back on their operations till they understand what is going on".<sup>78</sup>

Meanwhile, businessmen and entrepreneurs complain that one element of the political regime has not changed. This is the habit of law enforcement and security structures, part inherited from the Soviet era, part borrowed from organised crime, to use the private sector as a target for extortion and a source of funds. "There's a poster in the SNB [security] head-quarters", the businessman quoted above recalled. "If you are not already sitting [in prison], it's not due to your merits but our sloppy work". Pressure, often deeply menacing and sometimes violent, is on the increase, business sources claimed, as well-placed officials try to get their share of private sector wealth.

The monopolisation of patronage and the crack-down on private business not affiliated with the ruling group also play vital political roles. Money is the lifeblood of Kyrgyz politics – not just the decorous world of party politics, but also of street revolts and extraconstitutional action. Some of the smarter politicians even put a price on the next revolution: \$50 million, a highly-placed figure remarked, could cause a lot of ferment. 80 Pressure on the private sector serves both to enrich the president's allies and ensure that his enemies' war coffers remain empty. The reference to a two-year window for privatisation has, however, created suspicion in the minds of some observers that the president's intimates plan to take their money and run as soon as possible. Such suspicions are not confined to disgruntled business professionals. One sen-

<sup>&</sup>lt;sup>73</sup> Crisis Group interview, adviser to presidential administration, Bishkek, June 2008. The official added that the situation was further complicated by the fact that the millions of dollars involved in the debt as a result of credits from external and local sources had mostly been stolen.

<sup>&</sup>lt;sup>74</sup>Crisis Group interview, presidential administration, Bishkek, 29 May 2008.

<sup>&</sup>lt;sup>75</sup>Crisis Group interview, government official, Bishkek, May 2008.

<sup>&</sup>lt;sup>76</sup>Crisis Group interview, Bishkek, May 2008.

<sup>&</sup>lt;sup>77</sup>Crisis Group interview, Bishkek, April 2008.

<sup>&</sup>lt;sup>78</sup> Ibid

<sup>&</sup>lt;sup>79</sup> Ibid.

<sup>&</sup>lt;sup>80</sup>Crisis Group interview, senior presidential adviser, Bishkek, June 2008.

ior Western diplomat, commenting on a government minister of non-Kyrgyz origin, remarked that "it looks like he is going to grab as much as he can and get back to Moscow a couple of years from now".81

#### A. KILLING THE GOLDEN GOOSE

Possibly the most serious example of economic mismanagement by the Bakiyev administration concerns gold, its single biggest foreign currency earner. The situation in this sector reinforces the belief of many observers that, as a senior diplomat put it, "people at the top are out for fast, big profits". 82 In 2006, according to World Bank figures, gold accounted for \$341 million of \$827 million total exports. 83 The vast majority of Kyrgyzstan's gold comes from Kumtor, the largest foreign investment in the country and one of the largest gold mines in Central Asia.84 It is owned by the Canadian-based Centerra gold mining and exploration company.

A second mine, Jerooy, managed by a British company, Oxus, in the western region of Talas, was due to begin production in mid-2006. At the beginning of that year, however, Oxus lost its license following what a mining publication called "the effective expropriation of the Oxus Gold stake".85 Sources said representatives of an influential political figure asked the company for a kickback.<sup>86</sup> When it refused, its permission to operate was revoked. After the license was briefly transferred to a holding with little background in gold, rights to the mine were finally partially transferred to a Kazakh corporation.<sup>87</sup> The mine has yet to start operations; mining specialists estimate lost revenues over the past two years at between \$88 million and \$98 million per year in gold sales, taxes and royalties.

Now Centerra is under increasing pressure from the authorities. In March 2007 it and its Kyrgyz state partner started lengthy negotiations provoked by the government's belief that it was not getting a fair share of the profits. The two sides announced an agreement in August 2007 under which the government's holdings would be increased and Centerra's reduced, a simplified tax structure would be introduced, and Kumtor's concessions would be expanded.<sup>88</sup> The 1 June 2008 deadline for ratifying the agreement passed with no word from the government, and Centerra announced it would put the case into international arbitration.<sup>89</sup> In the last months before the deadline, government pressure on Centerra had intensified. Both an investigation into alleged tax evasion and a separate tax audit were begun, and the company was assessed for a number of allegedly outstanding payments. The deputy speaker of parliament took the company to court on multiple charges that have resulted in the suspension of exploration in some concessions.

The tax police are often used as a political weapon in Kyrgyzstan and other former Soviet states. The parliament, as noted earlier, is designed not to do anything to irritate or complicate the president's policies. This has led a close observer of the industry to summarise the state's motives in two words: "more extortion". Centerra says operations are largely continuing

<sup>&</sup>lt;sup>81</sup> Crisis Group interview, Bishkek, December 2008.

<sup>82</sup> Crisis Group interview, diplomat, Bishkek, April 2008.

<sup>83 &</sup>quot;Kyrgyz Republic at a glance", World Bank, 28 October 2007, http://devdata.worldbank.org/AAG/kgz aag.pdf. This is likely to have been lower in 2007. Kyrgyz National Bank figures indicate that gold exports brought in \$169.4 million in the first nine months of the year.

<sup>84&</sup>quot;платежный баланс кыргызской республики" ["The balance of payments of the Kyrgyz Republic"], January 2008. Centerra estimates that Kumtor contains 4.9 million proven and probable ounces of reserves and plans to mine between 580,000 to 620,000 ounces of gold in 2008. "Kyrgyz Republic's political waters muddy Kumtor gold mine negotiations", at www.mineweb.com/mineweb/view/mineweb/ en/page34?oid=54022&sn=detail.

<sup>85 &</sup>quot;Global Gold in Deal with Kazakh investment group over Jerooy", at www.mineweb.net/mineweb/view/mineweb/en/ page34?oid=25741&sn=Detail.

86 Crisis Group interview, Bishkek, May 2008.

<sup>&</sup>lt;sup>87</sup>Oxus took its case to international arbitration and in May 2008 announced an agreement to drop its claim in return for a substantial cash payment, www.bloomberg.com, 6 May

<sup>2008. &</sup>quot;This arbitration represented the last of the various costly litigations that have distracted Oxus in recent years", Chief Executive Officer Richard Wilkins was quoted as saying. Oxus's withdrawal of its claim means that the Kyrgyz Republic no longer risks loss of a court case in which the claims against it for lost profits amounted to hundreds of millions of dollars.

<sup>&</sup>lt;sup>88</sup> See, inter alia, www.imf.org/external/pubs/ft/scr/2008/ cr08151.pdf, p. 40. Under the agreement, the government's stake in Centerra would be increased to 29 per cent; Cameco, Centerra's parent corporation, would reduce its share to 41 per cent. Tax rates were set at 11 per cent for 2008, 12 per cent for 2009 and 13 per cent thereafter. Centerra would receive an extra 25,000 hectares for exploration.

<sup>&</sup>lt;sup>89</sup> Pending the result of discussions with a Kyrgyz government working group on Kumtor, Centerra announced in late July that both sides had agreed to to "a limited postponement" of arbitration proceedings, to 29 September 2008. "Centerra Gold Reports Second Quarter Earnings (Before Unusual Items) of \$0.06 Per Share", http://cnrp.ccnmatthews.com/client/centerra/ release.jsp?actionFor=884692&releaseSeq=0&year=2008, 31 July 2008.

as usual, but warned in its report on 2008 first-quarter earnings that "the political situation continues to evolve and there continues to be a risk of future political instability which may affect the Kumtor Project". 90 A government adviser said he suspects that the whole operation against Centerra is an effort simultaneously to wear down its resistance and lower the mine's selling price. At the appropriate moment, he suggested, a new buyer affiliated with the country's leadership will move in. 91 Summing up the general situation in mining, a veteran specialist in the field remarked that "the geology is good, the politics are not". 92

## B. MAJOR PROBLEMS, MINOR INTEREST

The Bakiyev administration pays little if any attention to some key problems facing its country, particularly the tightly interrelated crises of drug addiction and HIV/AIDS. Kyrgyzstan is one of the main transit points for opiates going from Afghanistan to Russia, the West and China. The drug routes run across the poorly controlled border from Tajikistan and onwards to the southern Kyrgyz regions of Batken and Osh, whose main city of the same name is described by the UN as "one of Central Asia's drug capitals", 93 a transport hub from where drugs move out of the region by road and air. Kyrgyz interdiction efforts seem more symbolic than energetic: "There has been no appreciable impact on the transit of Afghan narcotics through the Kyrgyz Republic", the U.S. State Department recently reported.<sup>94</sup>

Seizure rates remain low and the efficiency of counter narcotics operations are hampered by corruption in the police and security services, Western specialists said. Senior Kyrgyz officials agreed that corruption is a major problem: two high-ranking officials alleged in interviews with Crisis Group that very senior law enforcement officers and ranking Russian officers from

the Kant air base, just outside Bishkek, were actively involved in the trade.<sup>95</sup>

Enough of the drugs are being sold locally, however, to aggravate the HIV/AIDS crisis. The main means of HIV transmission in the area is though the injection of drugs, 96 and UN studies indicate that users are shifting in large numbers from cannabis to opium and heroin.<sup>97</sup> In late 2007 a British government report noted that the number of people living with HIV in Kyrgyzstan, Tajikistan and Uzbekistan was estimated to have tripled between 2003 and 2005 and that the three countries had experienced a 25-fold increase in HIV cases over the last five years. 98 Though international funding has increased considerably in recent years, the Kyrgyz government has "devoted insufficient attention to the conceptual and strategic development of a modern drug treatment service provision system capable of stemming drug abuse and/or a[n] HIV/AIDS pandemic".99

Meanwhile most ordinary Kyrgyz, largely left to fend for themselves by their government, find their already modest standard of living under threat from price rises and multiple energy crises. Around 40 per cent live below the poverty line, and the official minimum wage is 340 som per month. (\$9.78 at early August 2008) exchange rates). Access to basic public services like running water, public sewage systems, health and education has deteriorated over the past fifteen years, the World Bank noted. 100

The standard of living is likely to deteriorate further. Food costs rose by 23.5 per cent in 2007, 101 and a fullfledged food crisis is expected in 2008, while gasoline is rapidly approaching \$1 per litre. The government estimates that the standard statistical "basket" of goods and commodities costs on average 3,354 som (\$96.65) per person a month. 102 Basic commodities

<sup>&</sup>lt;sup>90</sup> http://cnrp.ccnmatthews.com/client/centerra/release.jsp? actionFor=850823&releaseSeq=3&year=2008.

<sup>&</sup>lt;sup>91</sup> Crisis Group interview, Bishkek, June 2008.

<sup>92</sup> Crisis Group interview, Bishkek, 21 April 2008. Another mining specialist noted that the production cost of gold at Kumtor is already significantly higher than in other countries, due to high altitude, cold conditions and the "unpredictability" of corruption demands made on the operation.

<sup>93 &</sup>quot;Illicit Drugs Trends Report 2008 – Central Asia", UN Office on Drugs and Crime (UNDOC), p. 13, www.unodc.org/ documents/regional/central-

 $asia/Illicit\%20 Drug\%20 Trends\%20 Report\_Central\%20 Asia.$ pdf. "Vast amounts" of opiates are believed to transit Kyrgyzstan in general and Osh in particular, the report noted.  $^{94}\, INCSR,$  op. cit.

<sup>95</sup> Crisis Group interviews, Bishkek, April-May 2008.

<sup>96&</sup>quot;Central Asia: UNAIDS Chief Says Disease Spreading At Record Pace", www.rferl.org/featuresarticle/2008/03/ 4f57503a-0807-4495-a3a6-cfdd73d3d47a.html.

<sup>97 &</sup>quot;Kyrgyzstan: Country Profile", UNDOC, at www.unodc.org/ uzbekistan/en/country profile kyr.html.

<sup>98&</sup>quot;Defeating the stigma around HIV and AIDS in Kyrgyzstan", UK Department for International Development, 27 November 2007, at www.dfid.gov.uk/casestudies/files/asia/ kyrgyzstan-hiv.asp.

<sup>&</sup>lt;sup>99</sup>INCSR, op. cit.

<sup>100 &</sup>quot;Country Brief Key Facts", World Bank, April 2008, at http://web.worldbank.org.

<sup>&</sup>lt;sup>101</sup>Kyrgyz National Bank, www.nbkr.kg/web/interfeis.builder\_ frame?language=RUS.

<sup>102 &</sup>quot;Национальный статистический комитет Кыргызской Республики Экспресс-информация, 9 апреля 2008 года"

are going up even faster this year: between January and June general food prices had already risen by 20.4 per cent. The government estimates that inflation will reach 29 per cent this year; other specialists expect it to be higher.

Unemployment is officially put at 16.8 per cent, but is thought to be much higher. Senior officials say they are working on measures to alleviate the impact of the food crisis and maintain they could not focus on it until now because of the two-year paralysis caused by Bakiyev's confrontation with the opposition. But even some presidential advisers have their doubts that a real anti-crisis strategy will see the light of day. "Not only is there no anti-crisis program", said one. "There is no-one who can draw one up. Nobody is thinking about how much money is needed to get us out of the crisis". 104

## V. A LOOMING CRISIS

In mid-summer the country's leadership did begin to show signs of real anxiety about food and energy problems. Their concern, however, was not matched by skill in finding solutions.

July is usually a dead season for politics in Kyrgyzstan. The political class leaves for vacation, and this year even a major internet news service took the month off. A burst of activity from the country's top leaders, however, made it clear they were finally worried about the rapidly approaching double crisis of food price escalation and energy failure. On 17 July President Bakiyev unexpectedly flew to Moscow for a one-day meeting with the Russian leadership. No explanation was given for the trip, other than vague references to the upcoming Shanghai Cooperation Organisation summit, due to open in mid-August in Tajikistan. Reports in the Russian media indicated that the Kremlin had taken the opportunity to discuss a number of irritants in bilateral relations. These included the U.S. airbase at Manas airport, just outside the capital; long-stalled negotiations over Russian acquisition of Dastan, a torpedo plant in Bishkek; and

["National Statistical Committee of the Kyrgyz Republic,. Express-information, 9 April 2008"].

the difficulties encountered by Russian banks in opening Kyrgyz branches. <sup>105</sup>

Bakiyev was almost certainly looking for ways to get through the winter. Several usually well-briefed Russian newspapers said that he had in fact gone to ask for food or help in financing emergency food programs. 106 Given subsequent appeals to international bodies, it would be surprising if he did not ask for money for fuel as well. What is clear is that by the time he left for Moscow, energy problems were very much on his mind. The government had been aware of growing difficulties since early 2008. The situation was simple but ominous. The water level in Toktogul, the country's largest reservoir and the source of most of its energy, 107 was catastrophically and inexplicably low. If this situation continued, Energy Minister Saparbek Balkibekov warned in March, the Toktogul hydroelectric station's massive turbines would stop turning by January 2009. 108

In an attempt to remedy this, cuts were implemented in the spring, when homes in most parts of the country were without electricity for up to eight hours a day. This produced few results. By mid-summer the water level was still substantially lower than at the same time in 2007, according to official figures – and parts of the reservoir were bone dry. On 21 July

<sup>105</sup> "Курманбек Бакиев ответил по Манасу и "Дастану" ["Kurmanbek Bakiyev answered for Manas and Dastan"], *Kommersant*, 17 July 2008, at www.kommersant.ru/doc. aspx?DocsID=913168; and "Президент Киргизии неожиданно приехал в Москву" ["The president of Kyrgyzstan has unexpectedly arrived in Moscow"], *Vremya Novostey*, www.vremya.ru/print/208524.html. The article noted pointedly that the bulk of Dastan's shares were owned by a figure "exceedingly close to the presidential family". The banking sector is widely viewed by both Kyrgyz and foreign observers as being of special interest to the Bakiyev family.

<sup>106</sup> Vremya Novostey, op. cit.; and "Визит: Курманбек Бакиев посетил Москву ["Kurmanbek Bakiyev has visited Moscow"], Nezavisimaya Gazeta, at www.ng.ru/printed/213360.

<sup>107</sup>Toktogul provides water for over 90 per cent of the country's energy. Communication from ministry of energy, 5 August 2008.

<sup>108</sup> "The minister of energy warns that Toktogul can stop working", Interfax Kazakhstan, 13 March 2008.

109 Figures for Toktogul are, to say the least, confusing and sometimes contradictory. Latest statistics from the energy minister, supplied to Crisis Group on 5 August 2008, are the following: theoretical maximum reservoir capacity, 19.5 billion cubic metres (BCM); usual maximum, 15 BCM; current level, 9.1 BCM; dead level, 5.5 BCM. Kyrgyzstan's daily energy needs are usually put at 15-18 million kilowatt hours. See Chudinov interview, "Почему премьер-министр Кыргызстана не боится приписок, а его супруга спит спо-

<sup>103 &</sup>quot;Кыргызстан на грани энергетического и продовольственного кризиса, но митинги осенью пока не ожидаются" ["Kyrgyzstan is no the edge of an energy and food crisis, but meetings in autumn are not expected"], *Central Asia News*, 29 July 2008.

<sup>&</sup>lt;sup>104</sup>Crisis Group interview, Bishkek, 5 June 2008.

Prime Minister Igor Chudinov repeated the March warning. 110

The solutions proposed by the government were not impressive. The president and the prime minister both lashed out at the minister and other top energy officials, accusing them of passivity. In a public address around the time of his Moscow trip, Bakiyev called for "pin-point" cuts in electricity. In the first instance saunas should be cut off, along with elite multi-story blocks and villas that are heated with electricity, he declared. These buildings should all switch to coal, he said, without explaining how this might be done before winter. Not only the elite heat with electricity, however. Half the country's middle schools do as well, the education minister said recently. These would be closed in January and February 2009.

But government explanations for the shortfall were confused. On 25 July Prime Minister Chudinov told a World Bank official that Toktogul's level was at its lowest since 1972. 113 A week later he struck a calmer note, remarking that "low water cycles" occur every six to seven years. 114 In private, however, well-informed officials and experts close to the presidential administration alleged that water from the reservoir had been drawn off the previous winter and sold to Kazakhstan by a highly influential figure close to the ruling family. Government sources dismissed the allegations as totally unfounded.

Finally, in early August, Chudinov spelled out the full gravity of the situation. Kyrgyzstan will have to reduce its energy consumption by at least 30 per cent this winter, he said, and there will be only enough electricity for light: "there will be no electrical heat-

койно" ["Why the prime minister does not fear fake statistics and his wife sleeps soundly"], www.24.kg, 5 August 2008.

<sup>110</sup> "И.Чудинов: Энергетики не должны применять «повальное отключение» от электроэнергии" ["I. Chudinov, energy workers should not permit an 'indiscriminate cut-off' of electrical energy"], Aki Press, 31 July 2008, at http://kg.akipress.org/news/60118.

<sup>111</sup> The Russian term was "адресный" – literally "by address". <sup>112</sup> "Из-за нехватки электроэнергии в Киргизии зимой не будут работать половина школ" ["For lack of energy half the schools will not work in winter"], *Nezavisimaya Gazeta*, 30 July 2008, quoting Interfax news agency, at www.ng.ru/cis/2008-07-30/7 Kirgizia.html.

113 "И.Чудинов попросил Всемирный банк кредитовать поставки топлива в ТЭЦ Бишкека" ["I. Chudinov asked the World Bank to give credits for fuel for the Bishkek Thermal Power Station"], AKI Press, 25 July 2008, http://kg.akipress.org/news/59968.

<sup>114</sup>Chudinov interview, op. cit.

ing". The energy situation is further compounded by indications that Bishkek's aging thermal power station will not be able to function at anything near its usual capacity. Chudinov complained to a World Bank official in late July that the government had only been able to earn 40 per cent of the amount needed to run the plant in the coming winter. 116

The crisis shows every signs of escalating from a purely economic and social tragedy to a serious issue of political legitimacy. If claims of water diversion were whispered by well-placed officials in June, by July they were treated as common knowledge by the officials of a neighboring country. By early August talk of Toktogul's water being sold "on the side" (nalevo) was making the rounds of Bishkek.

So far there has been little sign of Russian assistance.<sup>118</sup> The government is passing the hat to international agencies, without any immediate success. Failing external aid, the country faces the risk not only of a miserable, cold and hungry winter, but also of economic decline, as energy cuts hit the private sector as well as people's homes. This in turn may well shake the old opposition out of its torpor or embolden a new, possibly more radical force to challenge the regime.

#### VI. CONCLUSION

Despite speculation that the regime plans a quick departure, the president's camp is sending out strong signals that he will run for a second five-year term in 2010 and hopes to hand over power in 2015 to a trusted successor who will protect his interests. Achieving this will be difficult. Bakiyev's consolidation of power was carefully planned and meticulously executed, but it has not resolved Kyrgyzstan's chronic political instability.

<sup>&</sup>lt;sup>115</sup>Ibid. Independent observers considered this an optimistic scenario.

<sup>116 &</sup>quot;Chudinov asked the World Bank", op. cit.

<sup>&</sup>lt;sup>117</sup>Crisis Group interviews, Bishkek and Dushanbe, June-July 2008.

<sup>&</sup>lt;sup>118</sup> Indeed, if the Russians had hoped for an easing of the Kyrgyz position on the Dastan torpedo plant, they were in for a disappointment. On 5 August Kyrgyz media announced that Dastan had reassessed its assets and concluded that their value was 80 times greater than previously believed... "Дастан» осуществило переоценку своих основных фондов, в результате чего основной капитал компании увеличился в 80 раз" ["Dastan had reevaluated its basic funds, as a result of which the company's capital has increased 80 times"], www.24.kg/economics/2008/08/05/89139.html.

The traditional fault lines of Kyrgyz society – the divide between the north, with its heavy ethnic Kyrgyz majority, and the south, with its large Uzbek minority – are quiet. Most importantly, the president's monopoly of patronage is both enriching allies and depriving potential opponents of the chance to assemble the all-important political war-chest. But the changes have arguably increased the possible sources of instability, and the lull that has come over politics may prove to be due as much to the opposition's incompetence as the ruling party's prescience. The regime in fact faces threats from at least three sources: the street, the now-disenfranchised and increasingly scared political elite and dissension within its own ranks.

The December 2007 elections and creation of a subservient legislature was a successful operation executed in a very narrow political framework – and one where the Bakiyev team held all the cards, from a pliant judiciary and Central Election Commission to well-controlled electronic media. The leadership would be profoundly mistaken if it thinks it can solve the energy and food problems with similar ease. Inflation and the energy crisis are tests not of political technology but of governance. They threaten to lay bare the profound weaknesses of the administrative and political structures, as well as their top-to-bottom corruption. Moreover, there is absolutely no indication that the Bakiyev "power vertical" has improved the day-to-day functioning of government Even if the government does try to introduce sensible measures to alleviate the situation, there is a strong likelihood that these will be undermined by corruption and cronyism.

Anecdotal reports suggest deep popular disillusionment with the Bakiyev administration after the elections. At this point, however, the dissatisfaction is expressed mostly in resigned disgust with the system rather than overt anger or hostility. This could change. Food prices are rising faster than expected, as is inflation, even by the state's cautious and not always reliable estimate. Few officials or ordinary citizens expect that – barring an unusually mild winter – energy cuts will be limited to unheated homes. A further deterioration in living conditions could spark serious

anger among a public already worn down by power cuts, the steady rise of fuel prices and the memory of the previous grim winter, when the country's fragile power infrastructure was incapable of supplying a basic level of services. If anger turns to violence, it risks being brutal, destructive and xenophobic – and the remnants of the opposition may not be able to channel demonstrations into a more controllable form.

The national elite, both political and business, is anxious and on the defensive. Senior Bakiyev advisers say they would welcome a frontal challenge by the remains of the opposition - it would "allow us to untie our hands" – said one. And they would indeed probably use all necessary power to quell any unrest. A key security player in the March 2005 events recalled that he was certain that Akayev would never order his troops or police to open fire. Indeed Akayev did not. "Now no-one doubts these [leaders] would give the order without a second thought". The Bakiyev administration can, if it is prepared to be ruthless enough, control the situation by force, followed up with a media campaign that would attempt to paint a picture of a conscientious state gradually solving all the country's problems.

Other countries, in the region and well beyond, have tried this; the gambit works for a while, but does not solve the root issues. The current leadership's problems are, moreover, greater than they appear on first sight. Its track record of crisis management has been poor. Its power base is narrow and vulnerable to schism. Signs of dissension inside the ruling group could encourage its opponents, while disunity could prove even more problematic if it is confronted with the need to take harsh measures to crush unrest.

The year that began so promisingly for Kurmanbek Bakiyev and his strategists looks set to end on a more complex, pessimistic and perhaps even menacing note. And Kyrgyzstan's long-suffering population could once again be facing a time of economic and political troubles.

Bishkek/Brussels, 14 August 2008

## **APPENDIX A**

## MAP OF KYRGYZSTAN



Department of Peacekeeping Operations Cartographic Section

#### APPENDIX B

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