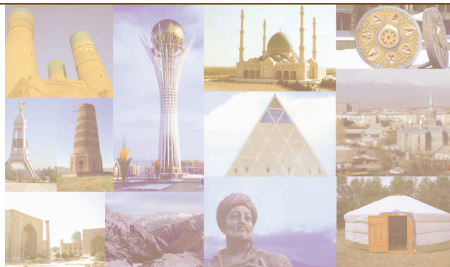


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KYRGYZSTAN

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Highlights

The key event that changed the country as a whole and affected the region of Central Asia and activities of global players in the region was the protests in early April, which led to the ousting of President Bakiev from the country and the establishment of an interim government in Kyrgyzstan.

Internal affairs of the country

Several events in March contributed to the deterioration of the domestic situation. At the beginning of the month Kyrgyzstanis learned through Russian media of an arrest warrant issued by an Italian court for Evgeniy Gourevitch on charges of fraud. Gourevitch is the head of the MGN Group, the entity that provided asset management services to Maxim Bakiev. By March, MGN managed assets of the Development Foundation of the Kyrgyz Republic and of a number of other large state-owned companies. Despite direct orders from the President's office to prevent dissemination of this information in state and private media, the news was leaked to the public and a scandal broke out in the country. The Development Foundation hastily terminated its asset management contract with MGN and the prime minister distanced himself both from MGN and the Foundation. However, by that time it was no longer possible to conceal the news that the President's son and successor was being advised by an international scam artist and that the banks controlled by Maxim Bakiev were involved in money laundering.

On 10 March, the people of Naryn, a high-mountain region of Kyrgyzstan, gathered for a protest meeting at which they voiced both social demands (reduced tariffs for electric and heat energy) and political demands, such as cancellation of sales of energy

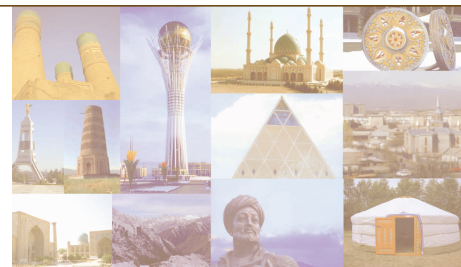
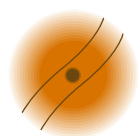
distribution companies, a ban on the sale of state-owned land and the release of jailed opposition leaders. Protesters threatened to continue their meeting in Bishkek until the President resigned.

On 17 March, the United Opposition assembled and produced a list of seven demands for the President, among which a reduction in electricity, water supply and heating tariffs, the cancellation of fraudulent sales of Severelektro, the nation's largest electricity distribution network, and Kyrgyztelecom, the national telecom operator, the withdrawal of proposed constitutional amendments, abolishment of unconstitutional government bodies, the sacking of the President's sons and brothers, the reinstatement of freedom of speech and freedom of the media, the release of opposition leaders and an investigation into activities of the MGN Group and Evgeniy Gourevitch, who managed national assets.

These developments, together with increasing social tension and pressure on the media, civil rights activists and Bakiev's opponents formed the backdrop for the so-called *Kurultai* -assembly- of Consent on 23 March, the fifth anniversary of 2005 events. The aim of this assembly, held by the pro-presidential forces, was to create an image of nationwide approval for President Bakiev's policy and unity between the nation and the President. 750 people from all regions of Kyrgyzstan met for two days and expressed their wishes and gave their advice to the President. Some of these were critical of the President, such as the speech delivered by Aziza Abdurasulova, a human rights activist. But despite the organizers' efforts, this political show was not successful in misleading Kyrgyz people.

On 29 March, 5,000 Narynians expressed their willingness to continue protests and ignored the

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words of the prime minister, who was dispatched to the region to calm the situation and explain the reasons for tariff increases. The deteriorating socio-economic conditions of the majority of population since the beginning of 2010, the increasing gap between the incomes of a small group of government officials and businessmen affiliated with the President's family and those of most of the population, increased pressure by law enforcement authorities on civil and political liberties, breach of political power and concentration of financial resources in the hands of the Bakiev family engendered mass protests, starting on 6 April in the city of Talas in western Kyrgyzstan. On 6 April, about 1,000 citizens gathered chanting political slogans on the main square in Talas where the regional administration, the city administration and regional police department are located. The protesters demanded Bakiev's resignation and the release of one of the jailed opposition leaders, a native of Talas, Bolotbek Sherniyazov. The prime minister dispatched his deputy Akyzbek Japarov, interior minister Moldomusa Kongantiyev (also a native of Talas) and agriculture minister Iskenderbek Aidaraliyev to reinstate order in the city and the region. Additional police units, mostly from Kyrgyzstan's south, were sent to Talas. However, events unfolded so quickly that the law enforcement forces were unable to respond adequately to the situation.

By noon the protestors had captured the regional police department and taken the deputy prime minister and the interior minister hostage. The protestors also broke into the regional administration headquarters and trashed them. Unfortunately, both sides suffered casualties during the protests; several police officers were brutally beaten up and humiliated, while the picture of the severely beaten interior minister Kongantiev was shown on television channels worldwide. Dozens of protestors were hospitalized.

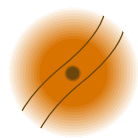
On the night of 6-7 April, all the leaders of the United Opposition were arrested barring Roza Otunbayeva,

who spent the night in a safe house, and Temir Sariyev, who was arrested on the morning of 7 April, when his plane from Moscow landed in Bishkek.

The United Opposition has been planning to hold a peaceful demonstration on 7 April in Kyrgyzstan's capital, but the events in Talas and the arrests of the opposition leaders changed the course of events. On the morning of 7 April, people gathered for a meeting near the headquarters of the opposition Social Democratic Party of Kyrgyzstan (SDPK). They were confronted by police, who were forced to retreat in the ensuing clash, losing weapons and vehicles in the process. News of the arrests of the opposition leaders spread and many people started flowing into Bishkek's centre, to Ala Too Square and the building of the National Security Service, where the arrested leaders were being held.

By 13:00 hours several thousand people had gathered on the central square -according to various estimates the actual number was between 5,000 and 8,000 people- and attempted to take over the White House, the government building. The police surrounded the perimeter of the building and repulsed initial assaults with rubber bullets and tear grenades. By 14:00 hours there were casualties among the protestors as snipers on the roof of the White House started shooting at people. However, rather than serving to disperse the crowd, sniper fire on the unarmed civilians had the reverse effect, with protestors closing ranks and starting to help the wounded and extricate casualties.

Some went to the national broadcasting company headquarters and took over the building, with broadcasts being suspended after the capture. Others stormed the building of the National Security Service (NSS) with the aim of releasing the jailed opposition leaders. NSS shot at the protestors, who responded by throwing Molotov cocktails. By 18:00 hours the protestors were able to penetrate the NSS building perimeter and release the opposition leaders. About an hour later, a crowd of 150 people stormed and trashed parliament. Some protestors tried to stop the looters.



In the evening of 7 April, after negotiations with the opposition leaders to give those inside the White House a safe corridor in exchange for a ceasefire, the prime minister and a number of other high-ranking government officials left the building. Before leaving prime minister Daniyar Usenov signed a letter of resignation. It also became clear that President Bakiev had fled Bishkek by plane and landed in the city of Jalal Abad, several kilometres away from Bakiev's home village of Teyit. The tragic toll of the events of 7 April was 86 killed and more than 1,500 wounded.

Protests against Bakiev's regime were not limited to the capital city. In Tokmok, a city in the Chui region, 1,500-2,000 protestors captured the building of the regional police department and the Tokmok city administration. In Naryn 10,000 protestors captured the regional police department headquarters and the regional administration offices, and deposed the region's governor. In Aksy district of Jalal Abad region, the protestors took over the district administration headquarters, deposed the Aksy *akim* (head of district administration) and elected a new one from their supporters.

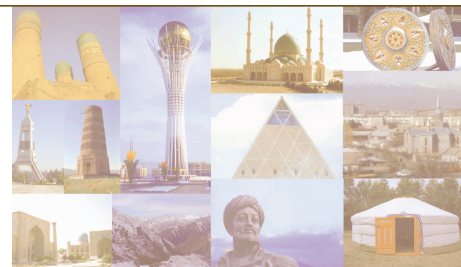
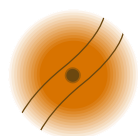
On the evening of 7 April, an interim government was established and with its first decree the new government abolished extra-constitutional government bodies created by Kurmanbek Bakiev, disbanded parliament and took over all government powers and responsibilities.

President Bakiev, who fled to the south, tried to gather his supporters and voiced a proposal to move the capital from Osh to Jalal Abad. He also blamed the interim government for the Central Square victims and appealed to the international community to send in UN peacekeeping forces. However, the first meetings that were organized in the south to show support for the President showed that most southerners were at most indifferent to the runaway President and unwilling to support him. Especially

telling was Bakiev's attempt to hold a pro-presidential rally in Osh (also informally referred to as Kyrgyzstan's southern capital). Ordinary people there foiled the attempt by preventing the President from speaking and forcing him to flee the city. Once he realized that playing on north-south differences would not work, Bakiev tried to contact the interim government to negotiate his resignation in exchange for immunity for himself and his relatives. However, the interim government refused to have any contact with Bakiev and put his brothers and sons on the wanted list.

On 19 April in the village of Mayevka, land-grabbers caused disorder leading to ethnic-based pogroms. Unfortunately, squatting on municipal and private land in Bishkek and the suburbs became a frequent occurrence and quasi-business for unscrupulous entrepreneurs. This time, the squatters grabbed agricultural land belonging to the residents of Mayevka, a village with a high concentration of ethnic Meskhetian Turks. Bishkek law enforcement forces were late in responding to the disorder. When they finally arrived in Mayevka, they started dispersing the crowd and detaining the organizers of the disorder only after the land grabbers had gathered for a rally near Bishkek City administration building, demanding free land in other suburbs of Bishkek and park areas. Enraged at the refusal of Bishkek city authorities to allot land for them, the land grabbers, goaded by organizers, started looting and torching the houses of Meskhetian Turks in Mayevka and beating up local residents. Three people were killed and 25 hospitalized with stab and gunshot wounds, and fractures and bruises. Police arrested 120 people and launched criminal investigations against six of them.

The important role that the citizen militia played in bringing peace and order to the capital should be emphasized. Bishkekians first united into citizen militias back in 2005, after the events of 24 March when the city stood up against the looters on its own. Since the law enforcers failed to take action, Bishkekians were forced to protect their houses and



neighbourhoods themselves. Based on the March 2005 experience, the people of Bishkek established their first militias on the night of 7-8 April. The magnitude of destruction in Bishkek in April 2010 was much lower than in March 2005.

Foreign and international policy

The day after the establishment of the interim government (IG), Roza Otunbayeva, the head of the IG, received a phone call from Russian prime minister Vladimir Putin who expressed his condolences and promised to support the Kyrgyz people. On 8 April the U.S. and Russian presidents met in Prague and discussed the situation in Kyrgyzstan.

In the days after 7 April, the following officials visited Bishkek: special envoy of the OSCE chairman, representative of the European Union in Central Asia, special representative of the parliamentary Assembly of the Council of Europe, assistant to the U.S. Secretary of State. They welcomed the first acts of the interim government aimed at stabilizing the situation and reinstating democracy, and expressed readiness to support constitutional reforms, transparent elections and a return to a legitimate (legal) terrain. Catherine Ashton, the EU's high representative for foreign affairs made a statement on 8 April promising EU support in rebuilding the country. At the end of April in Brussels, the EU delegation headed by Spanish foreign minister Miguel Moratinos expressed the EU's intention to assist with constitutional reforms through the Venetian Commission and help ensure macro-economic stability in cooperation with the IMF and other international finance institutions.

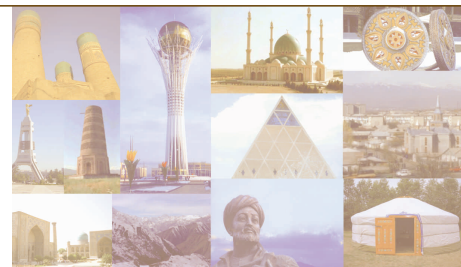
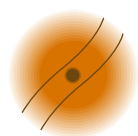
Uzbekistan's response to Kyrgyz events was predictable. The Uzbek foreign ministry distributed a statement saying that "the events in Kyrgyzstan are, first and foremost, internal matters of the Kyrgyz Republic". Kazakh President Nazarbayev's response was much more nervous: he did not hide his negative

attitude towards the events and described them as yet another change of government faces and another stage of the power struggle. On 7 April, Kazakhstan unilaterally closed its borders with Kyrgyzstan, raised security levels in the country and hardened its policy towards Kyrgyz labour migrants. Uzbekistan also unilaterally closed its borders with Kyrgyzstan.

On 16 April, after negotiations among the presidents of Kazakhstan, Russian and the United States, Kurmanbek Bakiev and his underage children and their mother were extracted from Jalal Abad and flown to Taraz, Kazakhstan on board an airplane of the Kazakh defence ministry. On landing, Bakiev signed his resignation letter, which was then faxed to the headquarters of the interim government. After two days in Kazakhstan, the former Kyrgyz President and his entourage were flown into Minsk, where they were placed under the personal protection of Belarusian President Lukashenko. Bakiev and his entourage remain in Belarus.

In the opinion of the IG leaders, former senior Kyrgyz government officials who were placed on the wanted list -former prime minister Daniyar Usenov, former head of the national security service Murat Sutalinov, deputy head of the national security service Marat Buckeye (Kurmanbek's elder son)- fled to Kazakhstan. Kazakh government officials deny this, however. The most controversial son of the ex-President, former head of the Central Agency for Development, Investment and Innovation, Maxim Bakiev, was spotted in Riga, Latvia, where his major business partners live.

Kyrgyz authorities asked Belarusian and Latvian governments to extradite Kurmanbek and Maxim Bakiev. Alexander Lukashenko's response was a resounding no, which caused Kyrgyz civil rights activists to protest near the Belarusian Embassy in Bishkek. Later Belarusian diplomats left the Kyrgyz capital (according to the official version, for consultations with the Belarusian foreign ministry).



Latvian authorities asked the Kyrgyz attorney general to provide additional information on the charges brought against Maxim, but these actions are not really an attempt to help Kyrgyz government, rather a response from the Latvians to Interpol, on whose wanted bulletin Maxim Bakiev is listed.

Economy and business enterprise

The closing of borders with Kazakhstan and Uzbekistan was the most important negative development affecting business in April. Although individual companies and businessmen suffered serious damages during 7 April events and the ensuing turmoil, the closing of borders -especially the Kazakh border- inflicted far more serious damage on entire industries, especially export-oriented companies and those specializing in re-exporting Kazakh goods. According to business associations the volume of foreign trade with Kazakhstan fell by 55% in April, whereas the closing of the Kyrgyz-Uzbek border drove up prices for agricultural products in the south. There were especially acute shortages of fuel and flour. The Kyrgyz government even considered opening up the reserves of the state committee for reserves to provide farmers with fuel to enable them to start the sowing season. Some diesel did make it through to Kyrgyzstan, as well as humanitarian aid from Kazakhstan and Russia, but it was not enough to help all the farmers in the country. In these circumstances the interim government repeatedly asked Kazakh and Uzbek governments to open borders. At the end of April, the European Union asked Kyrgyzstan's neighbours to open their borders. However, Kyrgyzstan's borders with Kazakhstan and Uzbekistan remain closed to this day. The conclusion, then, is that political pressure is the real reason for the economic blockade of Kyrgyzstan. It is no coincidence that Kazakhstan has hastily adopted a law on the national leader, giving additional immunities to Nursultan Nazarbayev.

True to its promise, the interim government renationalized assets that had been illegally privatized by Bakiev's family: electricity distribution companies,

Bishkek Oil Company, Bishkek Distillery, Kyrgyztelecom. The IG reduced tariffs for electrical energy and exempted utilities from VAT. 49% of stock in one of the largest cellular operators in the country -Megacom- was returned to the state. The four largest cellular operators, including Megacom, abolished the connection charge.

One of the first acts of the interim government was to introduce external administrators in five Kyrgyz commercial banks that were affiliated with Maxim Bakiev, a move that helped protect some of the funds in these banks. Nevertheless, according to acting finance minister Temir Sariyev, the budget deficit in April amounted to 1 billion Kyrgyz soms (approximately \$45 million) and in May will amount to \$50 million. In an attempt to cover the gap, the interim government appealed to the Russian Federation for help and Moscow agreed to allocate \$20 million for budgetary expenditures and \$30 million to support agri-producers and affected businesses.

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