

Highlights

The “alchemy of spring” -now a traditional phenomenon in the country’s political life- emerged in the form of rallies by the opposition in April 2013, uniting movements and political parties with quite diverse political views. The main focus of these rallies was the agreement between the government and Canadian mining company Centerra Gold relative to the country’s largest gold deposit, Kumtor. The unfairness of the agreement reached in 2009 has triggered the indignation of both the political establishment and ordinary citizens. Opposition leaders wanted to exploit the problems associated with the gold mining agreement to create a climate of political destabilization and ultimately achieve the dissolution of parliament, all of which came to nothing. The protests staged in Kyrgyzstan in spring 2013 clearly lacked the momentum required to enable the opposition to seize power.

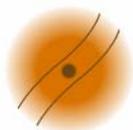
Internal affairs

The list of names of former high-placed officials, current opposition leaders and heads of public movements who joined forces this spring is impressive. It includes the former prosecutor general, who was active in the government overthrows of 2005 and 2010, the former state secretary and speaker of parliament, and the former secretary of the Security Council. Opposition sympathizers also included members of the opposition Ata-Jurt political party as well as members of the co-ruling parties Ata-Meken and Ar-Namys, raising a lot of eyebrows.

As in October 2012, the opposition organized this rally ostensibly to demand that the government denounce its agreement with Centerra Gold. This is a particularly apt pretext for mobilizing citizens as the Kumtor agreement is a very sore point with the Kyrgyz public owing to its apparently unfair nature. The opposition was counting on the fact that the government would not denounce the agreement, inciting even more indignation among radical politicians and citizens. That Kumtor was nothing but a pretext for the spring 2013 protests was made clear by the fact that the main issue discussed by opposition leaders at a meeting preceding the unsuccessful rally was the distribution of seats in the future government they were anticipating.

On 22 April, rallies took place in Osh and Talas. In Osh, about 200 Ata-Jurt supporters expressed their grievances with regard to the actions of authorities and decided to send their delegates to the capital to participate in the opposition rally scheduled for 24 April. In Talas, over 400 people rallied at a local stadium to demand a 50-year moratorium on the development of gold deposits in Talas province. At the rally, local residents decided to send delegates to Bishkek to address the country’s leaders.

The rally on 24 April brought together 150 – 200 people, a far cry from the 10,000 the opposition claimed would be present. Officially organized by the El Unu movement (Voice of People), participants in the protest included representatives of Ata Jurt, Jany Bagyt, Birikken Uluttuk Kyimal, Ak Kalpak, Dyikandar Partiyasi, Partiya Zelenykh



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Kyrgyzstana, Asaba and USSR party. The protesters demanded that members of parliament, the Speaker and President Atambayev talk to them in person.

Some of the rally participants suggested resorting to other courses of action, such as the creation of a united opposition headquarters, given the poor prospects of continued protests against the authorities. Others, such as the Ata Jurt representatives, called on rally participants to remain united and not disperse until members of their party and members of parliament Kamchybek Tashiyev, Sadyr Japarov and Talant Mamytov, who led a protest action in October 2012, be released from custody, where they had been for the duration of court proceedings previously initiated against them in relation with last year's autumn rally. The deputy chairman of Ata-Jurt called on the so-called "hero mothers" (mothers of numerous children) to march to parliament to deliver their demands to members of parliament. Concurrently, one of the rally organizers and an active participant in the government overthrows of 2005 and 2010, former MP Azimbek Beknazarov, attempted to force his way into parliament when it was in session to deliver the protesters' demands and bring them to the attention of parliament. Despite the support of several MPs, Beknazarov was not allowed to enter the building.

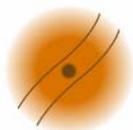
At the same time, the opposition rallies in the central square announced two primary demands: a repudiation of the agreement between the government and Centerra Gold and the dissolution of parliament if its members refuse to denounce the agreement. The question of why parliament had to be dissolved if the government refused to denounce the agreement was left unanswered.

The 24 April rally demonstrated Kyrgyzstan's very weak potential for protest, the lack of interest of influential political players to take an open stand against the ruling authorities, the still sufficient influence of President Atambayev and his political party, and, more importantly, Russia's continued confidence in the President.

Another scandal that exposed the strong links between the authorities and organized crime came to the fore in mid April, drawing the public's attention to the country's law enforcement agencies and bodies of the judiciary. The scandal stemmed from the release of a so-called "vor v zakone" (a respected career criminal) Aziz Batukayev, an ethnic Chechen, who was released from prison by virtue of a Naryn Court ruling on 9 April. The early release of this criminal who was supposed to spend another eight years in prison was formally justified in a report by a medical commission to the effect that the inmate in question had acute myeloblastosis, hepatitis C and cirrhosis. Immediately after his release, official vehicles escorted Batukayev to Manas International Airport where he boarded a previously chartered business-class aircraft, Challenger-300, and flew to the Chechen capital Grozny.

The early release of a criminal sentenced to 16 years in prison in 2006 for the manufacture, storage and transportation of drugs, illegal purchase and sale of firearms, munitions and explosives, and mass disturbances and riots in prisons triggered a massive wave of indignation in the Kyrgyz parliament, whose members created a special parliamentary commission to investigate Batukayev's release. The commission has already started gathering information about the involvement of officials in this scandal.

Kyrgyzstan's Ombudsman –who happened to be present at Batukayev's release in Naryn– described the operation as a "financial corruption scheme", claiming that "Aziz Batukayev would not have been released if not for the influential people and big money involved." The chairman of the parliamentary commission and its members accused the prosecutor general's office of concealing information about the release, one MP going as far as demanding that the deputy prosecutor general be relieved of his duties forthwith.



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The commission also proposed that vice prime minister Shamil Atakhanov be suspended for the duration of the investigation as his son was allegedly involved in the evacuation of the criminal from Kyrgyzstan, conveniently being a director of the company that provided Batukayev's plane. The chairman of the state penitentiary service, Zarylbek Rysaliyev, confirmed the fact that his advisor, an employee of the prosecutor's office, and representatives of judiciary bodies accompanied and escorted the car of the newly released career criminal to the airport and even tracked his plane's take-off.

MPs dissented with regard to the falsification by doctors of Batukayev's diagnosis. One member of the commission, Joomart Saparbayev, hinted that medical papers could have been falsified, an opinion echoed by the Ombudsman who called Batukayev's release "... a wide conspiracy by officials, ... including the system of the health ministry."

Foreign and international policy

On 14 and 15 March, Austrian President Heinz Fischer made his first official visit to Kyrgyzstan, during which the two countries held a business forum of Kyrgyz and Austrian businessmen with the participation of Kyrgyz prime minister Jantoro Satybaldiyev and Heinz Fischer. As the Austrian president noted, his country was willing to help Kyrgyzstan promote democracy and economic development. "As part of the activities of the European Commission and the Council of Europe, where Austria has a vote, we can support Kyrgyz aspirations and draw the European Union's attention to your country," said Fischer, adding that Austria intended to drastically increase trade between Austria and Kyrgyzstan, today only representing a total 0.2% of total trade between Kyrgyzstan and foreign countries.

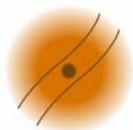
It was suggested that Kyrgyzstan could take advantage of Austria's experience in tourism, mining, hydro energy and agricultural processing. Austria's strengths, as noted at the forum, include stability of economic, political and social spheres, the openness

of the Austrian economy, the country's location in the heart of Europe and good relations with all its neighbours.

Kyrgyz energy minister Temir Sariyev said that as a small economy, Kyrgyzstan was interested in expanding trade and integration in European and global economies. Equally valuable to Kyrgyzstan is Austria's experience in building a parliamentary state as a political system geared toward creating and sustaining a liberal economy. The minister stressed that an intergovernmental commission had existed since 2004, an agreement on avoidance of double taxation had been signed and 17 Kyrgyz-Austrian joint ventures had been created in the territory of the Kyrgyz Republic. However, Kyrgyzstan and Austria have yet to fully exploit existing potential in economic and investment cooperation. Comparatively cheap labour, liberal tax treatment and auspicious investment legislation were mentioned among Kyrgyzstan's investment advantages.

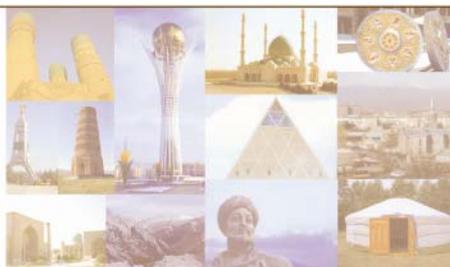
Concluding the forum, Fischer stressed that primary issues for the expansion of Austria's presence in the Kyrgyz economy included guarantees of security and protection of investments. The signing of an agreement on cooperation and a set of memoranda of cooperation between Kyrgyz and Austrian companies can be construed as a positive step toward stimulating the development of bilateral relations between the two countries.

In March, the government approved a draft law on the ratification of an agreement with NATO on the transit of cargoes of International Security Assistance Forces (ISAF) via the territory of Kyrgyzstan. Under the terms of this agreement, NATO will be able to transport by land (railroad and roads) cargoes shipped along the Afghanistan-Tajikistan-Kyrgyzstan-Kazakhstan route. As known, coalition forces conducting combat operations in Afghanistan were deprived of their ability to withdraw their military property and equipment via Pakistan in November 2011 due to the killing of 26 Pakistani servicemen as a result of a mistake made



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by US military. Islamabad responded to the tragic incident by temporarily closing the route for the passage of NATO transit goods and increasing the fee charged for each container from \$250 per container to \$5,000 per container. Consequently, NATO's alternative in the issue of transport is to make agreements with Kazakhstan, Uzbekistan and Kyrgyzstan on the withdrawal of equipment and combat heavy armour from Afghanistan via territories of the Central Asian countries in question. A parliamentary committee backed the draft law initiated by the government since it opened up opportunities for Kyrgyz transportation companies to be involved in this process and make a profit on transporting military cargoes.

Economy and business

In mid March, the National Bank of the Kyrgyz Republic published initial data for GDP growth, totalling 7.6% in the year to March. The head of the country's monetary authority basically ascribed this increase to the resumption of gold mining at the notorious Kumtor gold mine. If the gold production trend continues, the National Bank projects a 4-month (January-February-March-April 2013) growth of 8.2%.

Projections of the inflation rate total 7% until the end of this year, increased by 0.8% based on results of the first quarter of this year.

The rate of cash remittances to Kyrgyzstan from overseas decreased. According to pundits, this is related to decreases in the economic growth of Russia, the main labour market for Kyrgyzstan's labour migrants. The perseverance of this trend may have a negative impact on domestic demand since it is broadly sustained by the inflow of cash remittances from overseas.

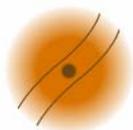
In March, UNDP published its report with information about GDP per capita in 2012. Unfortunately, among the post-Soviet countries in Central Asia, Kyrgyzstan has the worst indicators with GNP per capita totalling

a meagre \$2,009. At the same time, Kazakhstan claims \$10,451, Turkmenistan \$7,782, Uzbekistan \$3,201, and Tajikistan \$2,119. It should be noted that as recently as a couple of years ago, Kyrgyzstan was far ahead of neighbouring Tajikistan in terms of GDP per capita.

The size of the state debt in early March totalled \$3.27 billion with international reserves for the same period totalling \$2.4 billion.

Fraser Institute, an independent Canadian public policy think tank, published an annual review of activities of mining companies that mainly engage in exploration, development and mining. The review includes the responses of 742 representatives of mining companies operating in 96 countries and which spent \$6.2 billion on exploring deposits in 2012. The findings of the review were used to prepare a ranking of provinces, regions and countries based on whether the public policies of the researched countries facilitate or impede investments. Kyrgyzstan was among the ten countries with the least investment appeal, taking a very dubious fifth place. Worse investment climates were only observed in Indonesia, Vietnam, Venezuela and Democratic Republic of Congo. Kyrgyzstan is followed by Zimbabwe, Bolivia, Guatemala, Philippines and Greece. Under the Policy Potential Index (PPI), Finland obtained the highest score. This top ten also included Sweden and several states of the United States, Ireland and Norway.

However, these low indicators of Kyrgyzstan's investment appeal do not seem to deter the expansion of operations of Russian, Kazakh and Chinese state and private companies that know how to operate in Kyrgyzstan and see the risk-to-profit ratio in a favourable light. The government's 2012 annual report states that Kyrgyz-Chinese relations developed dynamically in a mutually beneficial manner. Over 30 high and top-level visits took place, with the government going out of its way to highlight the official visit by President Atambayev to China



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and the official visit by the premier of the State Council, Wen Jiabao, to the Kyrgyz Republic. The visits resulted in more than 40 bilateral documents being signed concerning various areas of mutual cooperation. The Chinese government allocated a grant of about \$35 million to Kyrgyzstan to implement joint socioeconomic projects in the country. China also issued a preferential loan of \$389,795,000 to start implementing the Datka-Kemin overhead power transmission lines and the Kemin substation, which are of strategic importance in terms of ensuring energy security in Kyrgyzstan. China issued a preferential loan of \$135 million to rehabilitate the Osh—Batken—Isfana and Bishkek—Balykchi roads. China also invested \$4 million in the preparation of a feasibility study for a project to build a Sino-Kyrgyz-Uzbek trunk railroad. In addition, in 2012, the country implemented major socioeconomic projects funded by grants and loans provided by the Chinese government including projects to build residential housing in the town of Osh, hospitals in the towns of Osh and Bishkek, and a secondary school with instruction in Chinese in Bishkek, in addition to reconstructing roads in the country's capital.

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