KYRGYZSTAN 2015: A COUNTRY ADrift?

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1. Introduction

Suggesting that Kyrgyzstan is a country adrift might appear counterintuitive. After all, in August 2015 the small Central Asian republic completed the accession process to the Eurasian Economic Union (EEU). Consequently, Bishkek now firmly gravitates in Russia’s orbit. In October parliamentary elections returned a six-party national assembly, where the president, Almazbek Atambayev, could count on a strong pro-presidential power base, consisting of the «president’s party», the Social-Democratic Party of Kyrgyzstan (SDPK), and the new Kyrgyzstan party. Yet, the impression is that of a political system and society that float, without trajectory or leadership. The government has been unable to resolve the never-ending controversy over the Kumtor gold mine. The authorities are also showing signs of preoccupation with the threat posed by the Islamic State (IS). Although precise numbers are hard to come by, a few hundreds Kyrgyzstani citizens are among the ranks of either the IS or Al Qai’da’s affiliate Jabhat al-Nusra. Without a proper attempt at addressing the root causes of discontent or the individual pathways to radicalization and recruitment, the government is resorting to the strategy it knows best: a crackdown on civil and political liberties. The chapter begins with reviewing two economic issues that largely shaped political and social developments in the country in 2015: the first is the accession to the Eurasian Union and the effects that the economic crisis in Russia had on the Kyrgyz economy. The second is the turbulence surrounding Kumtor. Next, the chapter analysis the results and effects of the October parliamentary elections. The remainder of the chapter focuses on some controversial legislative initiatives and concludes by discussing the threat posed by the IS to Kyrgyzstan.

2. International and domestic causes of a critical economic situation

The Kyrgyz economy and, more broadly, society suffer from two main sources of vulnerability. The first stems from the fact that Kyrgyzstan is a resource-poor country, whose main strategic asset is the gold mine at
Kumtor (and other mining sites, which are confronted with similar challenges). A drop in production (of gold) is bound to cause a decline in export revenues which constitute the main source of hard currency. This has implications on GDP growth, tax revenues and social welfare. The second is the growing dependence on the Russian economy. Over a million Kyrgyzstani citizens work in Russia and migrants’ remittances constitute an important source of livelihood for local households. Last but not least, Kyrgyzstan’s membership in the Eurasian Economic Union (EEU) meant that the country’s position as main entry in the Central Asian economic space and re-export point for Chinese goods was lost because of the higher tariffs imposed on non-EEU imported goods.

In August 2015, after years of delays and wrangling during the accession negotiations, Kyrgyzstan formally joined the EEU, a regional economic organization which also includes Russia, Belarus, Kazakhstan and Armenia. The strongest argument in favor of Kyrgyzstan’s membership in the EEU has long been the promise of long-term economic stability and development. EEU membership will bring a welcome easing of regulations for Kyrgyz labour migrants in member countries, a critical issue for Kyrgyzstan’s economy and society, as these critically depend on remittances. Remittances from Kyrgyz migrants are crucial to the local economy staying afloat. Official statistics put the number of migrants at some 700,000 (mostly working in Russia and Kazakhstan), whereas international organizations put the estimate at well over one million, or about 20% of the overall Kyrgyzstani population. In recent years the Customs Union (the EEU’s predecessor) and the Single Economic Space have set in place a wide range of rules and institutions. This includes two of the agreements on the legal status of migrant workers and their family members, and the agreement on cooperation among member states on counteracting illegal labour migration from third countries. The most important benefit of EEU accession in this regard stems from the fact that national status is granted to labour migrants as far as job placement and access to social services are concerned. This includes the abolishment of licences and permission to work; the granting of social and other rights to migrants and their families (medical care, education); the payment of the income tax in the country of residence; and recognition of work experience and of pensions rights. These benefits notwithstanding, some challenges remain. Kyrgyzstan will have to make arrangements to secure its external borders to restrict the move of the citizens of third countries and ensure the security of EEU countries. This will

heighten pressure on the Osh and Batken regions in the south, through which illegal migration via Tajikistan and trade from China mostly enter the country. What is worse, the Russian financial crisis, caused by the plummeting of oil prices and Western sanctions because of Russia’s annexation of Crimea, has had a direct fallout on the Kyrgyz economy, bringing about a shortfall in migrant remittances, pushing inflation up and foreign investment down, all of which is bound to adversely impact on the GDP. The most direct fallout of the Russian crisis (recession, plummeting oil prices, and sanctions) is precisely on the remittances that Kyrgyz migrants send home: 20% migrants have been forced home because of shrinking labour market in Russia; as a result, remittances in 2015 are expected to decrease by some US$425m, or about 23% compared those of the previous year.2

Apart form the migrants issue, Kyrgyzstan’s economy remains vulnerable to external shocks such as the global trend of commodity prices. Macro-economic data reveal a worrisome picture of the Kyrgyz economy. GDP growth slowed in 2014 and 2015 (3.5% and 3.2% respectively, compared to 10.5% in 2013).3 During the same period foreign direct investment declined as well. Russian investment and subsidies were announced in the closing months of the period under review as a way to promote and speed up the accession process to the EEU. They included US$600m to upgrade gas infrastructure, US$300m to enhance border security, and US$1.2bn for the establishment of a Development Fund aimed at offsetting the costs of EEU integration.4 Much of this has now been put on hold. In turn, the uncertainty surrounding the implications of EEU integration has led to a sharp decline of both Western and Chinese investment.

3. The Kumtor gold mine

The gold mine at Kumtor, located some 350 kilometres south-east of the capital Bishkek, is the country’s main source of hard currency, a vital

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2 ‘Eurasian Union will give few benefits’, Oxford Analytica, 24 March 2015; ‘Remittances to Central Asia fall sharply, as expected’, Eurasianet, 21 April 2015.


4 Ibid.
contributor to the country’s GDP, and the single largest private employer. Since 1997, when production started, Kumtor has emerged as one of the most contentious issues in the small Central Asian republic’s socio-economic and political life. In 2014 the mining sector accounted for 15% of the budget revenues, 15% of the country’s GDP and over half of its industrial output and export revenues, constituting Kyrgyzstan’s main source of wealth.

3.1. *The deal that never was*

In February 2014, after months of protests, rallies, and violence, the parliament voted in favour of a new agreement framework, replacing the one signed in 2009. At the time, the Canadian company Centerra Gold Inc. was the owner of the mine; Kumtor Gold Company, fully owned by Centerra, operated the mine. In turn, the Kyrgyzstani government owned 33% of the shares in Centerra (not Kumtor) via the state-owned mining company Kyrgyzaltyn JSC. Centerra also owned other mining sites in Mongolia, Russia, Turkey, and China, and the Kyrgyz government, being a shareholder in Centerra, received dividends from Centerra’s profits, including those accruing from activities outside Kyrgyzstan. This being the situation, a new agreement, whose signature was expected first in late 2014 and then any time in the first half of 2015, seemed in the offing, bound to radically revise the contentious 2009 framework agreement. The terms of the new agreement would have been the following: The government would release its shares in Centerra; in turn Kumtor would be co-owned as a joint venture (50-50) by Centerra and the Kyrgyzstani government, via Kyrgyzaltyn. The new agreement would have lead to Bishkek giving up its share in Centerra’s profit outside Kyrgyzstan, receiving in exchange greater responsibilities and profits exclusively in Kumtor. This was a development which would have tied the performance of the Kyrgyzstani economy to the volatility of gold prices,

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5 For a detailed overview of the stance on Kumtor of each political party in the country see Dave Gullette & Asel Kalybekova, *Agreement under Pressure. Gold Mining and Protests in the Kyrgyz Republic*, Friedrich Erbert Stiftung, 2014, pp. 7-11.

6 Национальный Институт Стратегических Исследований Республики Кыргызстан (National Institute for Strategic Studies), *Факторы негативного отношения местного населения к инвесторам, добыча, взаимоотношения, взаимоотношения местных пользователей недр и местных сообществ* (Factors of negative attitudes of the local population to investors, developers of mineral deposits, the relationship of subsoil users and local communities), Bishkek, July, 2013.

7 Kumtor’s website details how ownership and control changed hands over the years (http://www.kumtor.kg/en/about/centerra-gold-inc/).

making the local economy even more dependent on a single sector (gold) at the expense of other (non-gold) sectors. This, in turn, would have raised key questions about the long term development of the country. However, on 9 April 2015 the national parliament adopted a non-binding resolution which called the government’s handling of the Kumtor negotiations «unsatisfactory». On 13 April, then Prime Minister Otorbayev, in a surprising turn of events, announced that the government would no longer pursue a new agreement, as this «was no longer in the interests of the country». Ten days later, on 23 April the prime minister resigned. The new government led by Temir Sariyev promptly confirmed that neither nationalization nor the renegotiation of the deal were on the agenda. «Nationalization will only create certain risks and threats for us. We must seek other ways», Sariyev stated in April.

Spats between the parties resurfaced in late July when the State Agency for Geology and Mineral Resources noted that Centerra’s report detailing data on stocks of gold at Kumtor (including the projected lower production in 2015) was overdue. Calm around the Kumtor issue was, as predicted, merely a lull. A bitter row re-ignited as the new parliament convened after the elections (see the next section) and the government, led by Temir Sariyev, was confronted with this seemingly irresolvable question. The most immediate cause of the new development lies in the failure of the parliament to adopt an amendment of the «Water Code». This would essentially prevent mining sites from operating at high altitudes, where their functioning would jeopardise glaciers, already in retreat. Failure to amend this would lead to making Centerra’s license to operate the mine inapplicable. An even more disconcerting development occurred right

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9 Ibid.
10 Cecilia Jamasmie, ‘Kyrgyzstan aborts plan to grab Centerra’s Kumtor mine, but wants more say’, Mining.com, 17 April 2015; Cecilia Jamasmie, ‘Kyrgyzstan gv’t told to ensure ‘smooth sailing’ for Centerra Gold’s Kumtor mine’, Mining.com, 1 July 2015.
11 Cecilia Jamasmie, “Kyrgyzstan names new PM to settle issue with Centerra over Kumtor mine”, Mining.com, 30 April, 2015.
12 Tatyana Kudryavtseva, « Tsenterra eshche ne predstavila KR otchet s ismenennymi dannymi o zapasakh zolota na Kumtor (Centerra has not yet submitted a report to the Kyrgyz Republic with the new data of gold reserves at Kumtor) 24.kg, 30 July 2015, available at (http://24.kg/ekonomika/17035_tsenterra_eshe_ne_predstavila_kr_otchet_s_izmenennymi_dannyimi_o_zapasah_zolota_na_kumtor)
before the closing of the year under review as the government notified Centerra Gold of its intention of withdrawing from the renegotiations of the agreement,\(^{16}\) something which the Kyrgyz government itself had proposed to Centerra. In the words of an official statement, the Kyrgyz government «considers that the existing agreement on Kumtor in the current environment does not meet the interests of the Kyrgyz Republic». This last «act of brinkmanship»\(^{17}\), which Bishkek blamed on Kumtor’s lower than expected output in 2015, shows the intention to pursue yet another restructuring of the ownership configuration of Kumtor, its governance, and the distribution of dividends. A new wave of «resource nationalism» has seemingly engulfed the country and the international companies operating there, in what has become a volatile political and business environment.

4. The 2015 parliamentary election in Kyrgyzstan

On 4 October 2015 Kyrgyzstan held its sixth parliamentary election since achieving independence from the Soviet Union in 1991. Of the fourteen parties allowed to register and contest the elections, six managed to pass the required threshold and gain seats in the Jogorku Kenesh (National Assembly).

On the eve of the 2015 national elections, The Social-Democratic Party of Kyrgyzstan (SDPK) was the country’s dominant political party. After spending two decades at margins of Kyrgyzstan’s political life, the SDPK had been catapulted to the centre of the political system by the democratic breakthrough which followed the ouster of former president Bakiev and the election of Almazbek Atambayev to the presidency in October 2011. Another important political party, established by former Respublika MP Kanatbek Isaev in 2015, was the Kyrgyzstan party. With an unclear ideological platform but well-endowed financially (backed by the owner of the largest vodka company in the country), in 2015 the Kyrgyzstan party staged a lavish electoral campaign. The 7% nation-wide threshold for political parties made the formation of electoral coalitions compelling. By 2015, however, SDPK’s strong competitors in 2010 had gradually withered away: nationalist Ata Jurt, with a stronghold in the south had suffered several defections, as had been the case with Respublika. Even more so, the Ar-

\(^{16}\) ‘Centerra Gold: No assurances that discussions between Kyrgyzstan and Centerra will result in a mutually acceptable solution regarding Kumtor project’, 24.kg, 23 December 2015; ‘Kyrgyzstan ends talks with Canada’s Centerra over Kumtor Mine’, 24.kg, 23 December 2015.

\(^{17}\) ‘Kyrgyzstan: Talks over gold mine again hit rocks’, Eurasianet, 22 December 2015.
Namys party, led by long-time politician Feliks Kulov, had literally been deserted by its members. Apart from Respublika and Ata Jurt, the main challenge to the strong organizational presidential machine was expected to come from the Butun Kyrgyzstan-Emgek coalition. Butun Kyrgyzstan was led by Adakhan Madumarov, a nationalist politician based in the south, whose party narrowly failed to pass the threshold to gain seats in 2010. Emgek was led by Askar Salimbekov, a wealthy businessman from the northern regions and owner of the country’s largest market, Dordoi, in the capital Bishkek.

4.1. Results

Elections returned a six-party parliament (table 1). At 27% SDPK won comfortably. The opposition split into two competing coalitions (Respublika-Ata Jurt and Butun Kyrgyzstan-Emgek) and fared poorly, with the former coming second (20% of the popular vote) and the latter failing to secure the required threshold, receiving just over 6% of the popular vote. The other parties that managed to pass the threshold were Kyrgyzstan (12.8%), Onuguu-Progress (9.3%), Bir Bol (8.5%), and Ata-Meken (7.7%).

The SDPK won predictably and comfortably, albeit not by the expected landslide. The SDPK came first in seven out of nine electoral districts. Respublika-Ata Jurt won in the other two districts (Talas in the north-west and Jalalabat in the south), with an especially strong performance in Talas where it gained 37% of the popular vote. Kyrgyzstan did exceptionally well in the Chuy district (over 17%), as well as in Osh city and Jalalabat in the south. Onuguu-Progress gained more than 14% in Jalalabat, with Bir Bol obtaining its best results in Jalalabat and Batken (around 11%).

A comparison with 2010 highlights interesting trends (table 2). First, the SDPK significantly increased its presence in the new parliament (38 seats, up from 26 in 2010). Kyrgyzstan, Onuguu-Progress and Bir Bol were not represented in the fifth legislature, whereas in the sixth the three parties received 18, 13, and 12 seats respectively. Respublika-Ata Jurt incurred significant losses (28 seats in 2015). In 2010 the two parties, having run separately, conquered 23 and 28 seats, whereas they only won 28 seats in 2015. Ata Meken also performed poorly, losing 7 seats (11 in 2015, down from 18 in 2010).

Table 1. The 2015 Parliamentary Election Results (voters and percentages)

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Consequently, SDPK’s grip on power has consolidated; the party increased its number of seats by 50%. Together with Kyrgyzstan, pro-presidential parties enjoy a strong base in the parliament. Similarly to 2010, Butun Kyrgyzstan again failed to pass the necessary threshold to gain seats in the parliament. Ar-Namys, one of the country’s oldest parties, was virtually eliminated from political life as it received 0.79% of the votes.

4.2. Coalition-building and government formation
In light of the changes introduced by the 2010 Constitution, the results of the parliamentary election are consequential for government formation since the cabinet must rely on a parliamentary majority. Although the parliament is home to six parties, the assembly is less fragmented than the previous one and, at least on paper, should be conducive to more stable majorities. Relatively swift post-election negotiations ended in the formation of a coalition comprising, as expected, the SDPK and Kyrgyzstan, alongside Ata Meken and Onuguu-Progress. On 5 November the parliament approved the formation of the new coalition government by Temir Sariyev (who was also Prime Minister in the previous government), with the support of 80 MPs.

5. Towards institutional isomorphism: Russia’s influence casts a shadow on Kyrgyzstan’s civil society

It is not only Bishkek’s foreign and domestic policies which orbit around Russia. Social developments are largely shaped by occurrences and even legislative initiative that take place in Moscow, such as the curbing of civil liberties. Kyrgyzstan’s once vibrant civil society has increasingly become the target of harassment, intimidation, attacks and more recently legislative activity aimed at curbing its activities and stifling its impact. Such trends bear strong resemblance to analogous dynamics in Russia. Rising nationalist tones, anti-western themes, far-right and homophobic groups already regularly feature in the republic’s daily life. The first reading of the «foreign agents» and «gay propaganda» bills in the year under review was a clear pointer to the tendency to effectively condone such attitudes and expose already vulnerable groups to increased state and public pressure and interference.

5.1. The «foreign agents» bill

On 4 June the Jogorku Kenesh voted in favor – 83 to 23 – of the «foreign agents» bill. It was the first reading of a bill which had been in the works since 2013 and which, before being enacted, is to pass two more readings and get the president’s signature. The bill requires domestic non-governmental organizations that receive funding from abroad and engage in

vaguely defined «political activities» to register as «foreign agents». In its current wording, the bill is problematic in a number of respects. First, the notion of political activities is defined in very broad terms, encompassing «activities aimed at influencing public opinion and government policies». Second, as most local NGOs depend on external funding for their work, the bill would expose a large number of them to the rigours of the law. Third, the bill expands the scope of action of the authorities, which are granted increased powers to inspect the activities of NGOs. NGOs falling in this category would have to register as «foreign agents». Failing to do so would expose them to the risk of being closed down by the authorities. In its scope and language the bill mirrors Russia’s legislation on the same subject, with a focus on the origins of funding and that of political activities. The final approval of controversial legislation was halted after the first reading of the bill, as the electoral campaign went on the way, out of concerns that international support (also financial) for the elections would be curbed. What remains to be seen is whether in 2016 the legislative process will be carried to its conclusion, with the final enactment of the controversial bill.

5.2. The «gay propaganda» bill

A second pending piece of legislation was that on ‘non-traditional sexual relations’, which also passed the first reading, but did not yet complete the legislative iter. According to the proposed draft law, propaganda – defined as depicting in positive light or promoting interest in same-sex relations – is to be prohibited at public assemblies, in the media, via the internet. Penalties include administrative and criminal sanctions, such as fines and jail sentences up to one year. If approved, the law would infringe on the advocacy of groups for rights of the LGBTI community (lesbian, gay, bisexual, trans, and/or intersex), and would also hinder discussion of LGBTI issues, de facto condoning discrimination and intolerance. Again, the law bears close resemblance to the one adopted in Russia.\footnote{‘Kyrgyz Anti-Gay Propaganda Law Moves Forward’, The Diplomat, 26 June 2015.}

5.3. Harassment of political and civil rights groups

During the year under review, episodes of attacks against political and civil rights groups were on the rise: on 3 April 2015 Bishkek-based NGO Labrys, which defends LGBTI rights in the country, came under attack when
a small group threw several explosive bottles into the NGO’s office yard. The attempt to set it on fire ultimately failed, but Labrys’s subsequent attempts to launch a police investigation were thwarted, a clear indication of the law enforcement authorities’ stance against the LGBTI groups. On 27 March the Osh offices of the Bir-Duino-Kyrgyzstan Human Rights Movement and the homes of its lawyers were searched by officers of the State Committee for National Security. Various materials, including computers, flash drives and files, were confiscated. Although the action was sanctioned by a court, the State Committee’s actions exceeded the scope allowed by the law (which applies to cases where lawyers are involved in criminal offenses). The lawyers first won the appeal, only to see the decision annulled by the Osh Regional Court. Any attempt to initiate a new investigation into the case of Askarov, an ethnic Uzbek allegedly involved in the 2010 violence in the south of the country and detained ever since, has also failed. In September 2014 the Supreme Court confirmed the decision – by another court – to discontinue such investigation. Requests to reconsider by the European Parliament and attempts to secure the involvement of the UN Human Rights Committee have similarly failed. Washington’s decision to bestow the Human Rights Defender Award to Askarov plunged Kyrgyz-US relations to a new low, with Bishkek repealing the 1993 bilateral treaty, which ensures tax-free status to Kyrgyz employees of US government or aid agencies.

6. Radicalization, the rise of the Islamic State and government crackdown

As already noted in the previous Asia Maior volume, the major global issue that found echoes in Kyrgyzstan is the rise of the Islamic State (IS). The existence of IS looms large over Kyrgyzstan in at least two respects. The first concerns radicalization and recruitment of foreign fighters. This trend has constantly been reported by international and local news agency as well as organizations such as the International Crisis Group, although evidence of radical groups actually taking root remains scant. Estimates of Central Asians living in IS-controlled territory in Syria and Iraq are set at about 3,000 for 2015 (out of about 20,000 foreign fighters), of whom about 200-300 allegedly originate from Kyrgyzstan. Once in Syria, fighters are affiliated to one of two groups, «mirroring the larger fault lines of the Syrian

22 Matteo Fumagalli, ‘Kyrgyzstan 2014: The painful march towards the Eurasian Union as the lesser evil?’, Asia Maior 2014, pp. 401-414.
conflict.24 First the so-called «Aleppo Uzbeks», allied with al-Qa’ida-affiliated Jabhat al-Nusra. The second and larger group is found on IS-controlled territory, especially the cities of Raqqa and Mosul, and includes both fighters and those that have relocated there, to the live under the Islamic State.25 Regardless of the reliability of the estimates, what is true is the far greater appeal of the events in Syria compared to the old «theatre» for Central Asian militants, namely Afghanistan and Pakistan, now seemingly remote and irrelevant.26 Syria is seen as an issue of global relevance, whereas the remote valleys of northern Pakistan seem to be caught up in ferocious but distant, localized and largely irrelevant fight. The second issue pertains to the possible returning fighters27 and the measures taken by local governments to counter the threat, real or perceived, posed by the Islamic State to domestic stability. Again, evidence in support of this claim is elusive,28 and yet fears along these lines are used by the authorities in support of the introduction of legislation which restricts civil liberties such as the freedom of non-traditional religious practices and religious organisations not officially sanctioned by the state. Whereas government rhetoric suggests that the authorities take the threat seriously, policies have so far focused on repression (e.g. apprehending real or imagined radicals allegedly preparing attacks on local territory) rather than tackling the root causes of those societal grievances which find expression in the IS popularity.29

Conclusion

26 Ibid.
On a superficial level, most political developments that have taken place in 2015 point to stability, something which the country has been in short supply of since acquiring independence from the Soviet Union in 1991. However, at a closer look, this veneer of stability masks a situation characterized by the fact that the country is without a steering direction, adrift in the face of forces that are beyond its control. In a way, Kyrgyzstan is muddling through amidst multiple challenges and stress points. If this is a lull, how long will it be before another major crisis occurs?