

POLITICAL CRISIS IN KYRGYZSTAN

FUTURE SCENARIOS & IMPLICATIONS FOR FOREIGN INVESTORS

9th October 2020

CURRENT SITUATION

On 4 October 2020, parliamentary elections (Zhogorku Kenesh, Supreme Council) in Kyrgyzstan took place in highly controversial circumstances, with a majority of competing parties being denied the chance to run. As a result, the opposition refused to recognize the election results (which were subsequently nullified) and mounting street protests over the last few days have led to a violent coup d'etat in this volatile Central Asian republic. Today (October 9th), this culminated in the declaration of a state of emergency in Bishkek, with President Jeenbekov invoking military support in the capital.

The election aftermath has since paralyzed not only the Parliament, but also the Presidential Office and local authorities¹, while much business activity has also ground to a halt. The country's critical mining sector, for example (copper and gold mining being central to the economy), appears to be at serious risk of forcible seizure and a future redistribution of assets.

How long this suspension of business activities continues and whether it leads to an investor exodus of Kyrgyzstan remains to be seen. However, the risk of a prolonged political crisis and power vacuum until the next election is significant, while some commentators are already talking of radical scenarios such as civil war and the risk of state disintegration.

Much will depend on whether acting President Sooronbay Jeenbekov will retire or instead try to secure his position. The latter move would almost certainly lead to a worsening of the conflict, but right now the former looks more likely, largely due to him losing control over the enforcement agencies.

¹ Parliament in Kyrgyzstan has more significant powers and autonomy in comparison with other Central Asian countries.

On 6 October, the Central Election Commission nullified the election results, and is expected to announce a new election date within two weeks. The nullification was a compromise move caused by the weakened position of the acting President Sooronbay Jeenbekov, who is considered to represent the Southern clan, and difficulties for governmental bodies in regaining control over the situation. At the same time, however, international observers from the CIS and a number of other organizations have officially recognized the elections, while the OSCE representatives failed to find any serious violations in organization of the elections.

The decision to nullify the election results was taken amidst mass protests led by supporters of those parties which failed to enter Parliament²: only 16 of the 220 parties officially registered in the country were accepted as eligible for elections, sparking a huge outcry. The President appoints one third of the members of the Central Election Commission (CEC), and also controls a portion of the CEC members appointed by Parliament. This allows him to significantly influence the work of this body, including filtering the parties that apply for participation in the elections.

Protests escalated into mass riots and the seizure of administrative buildings in the capital Bishkek and in the regions, which in turn led to local authorities becoming paralyzed. Former President Almazbek Atambayev, who was sentenced³ to 11 years in prison in 2019, and several of his close allies, were forcibly released by supporters. Later, the court placed Atambayev under house arrest until November 11, 2020. Atambayev represents an alternative centre of informal influence in the country (the Northern clan) due to the clan-driven nature of the political system.

Acting Prime Minister Kubatbek Boron has resigned, but the President has not yet formally accepted his resignation. On October 7, Parliament approved Sadir Zhaparov as a new head of government, but the legitimacy of his appointment is questionable: Mr. Zhaparov had been sentenced to 11.5 years in prison⁴ but was also freed by protesters the day before. Additionally, the vote on his appointment did not take place in the Zhogorku Kenesh building, as is required for it to be official.

At the same time, another opposition party, Ata-Meken, proposed its own candidate for the post of Prime Minister. The Speaker of the Parliament, head of the State Security Committee, Minister for Internal Affairs and some others were also forced to resign, creating further chaos, fragmentation of and competition for power within the Government.

The enduring conflict between the leading Kyrgyz clans, aggravated after the parliamentary elections, is the main driver behind this latest political crisis, which follows two forced seizures of power by the opposition in the 2005 and 2010 revolutions. Traditionally in Kyrgyzstan, there is ongoing conflict between the northern and southern clans, represented by different parties. Those parties that entered Parliament as a result of the cancelled elections are mainly Southern clans, more or less loyal to President Sooronbai Jeenembekov, who comes from the South. The election results therefore dragged this confrontation between North and South beyond the parliamentary struggle and out into the streets.

³ Atambayev was sentenced on charges of corruption and the illegal release of crime boss Aziz Batukaev

⁴ Zhaparov was sentenced in a notorious hostage-taking case

CONSEQUENCES FOR INTERNATIONAL INVESTORS

Businesses operating in Kyrgyzstan must bear in mind the mounting consequences of the current breakdown in political life:

- Lower activity or even suspension of the Parliament in the inter-election period;
- Temporary paralysis of the executive bodies which are dependent on the parliamentary majority;
- Possible conflict between the President and Parliament as well as between Parliament and a part of the extra-parliamentary opposition;
- De-legitimization of power structures and a possible shift towards a full-scale political crisis. The radical scenario would be civil war and the country's disintegration, which could further destabilize the entire Central Asia region;
- Uncertainty of prospects of further integration and the role of Kyrgyzstan in the EAEU amidst the political crisis.

While controversial, the nullification and re-running of the election appears to offer the most hope of a relatively rapid restoration of law and order and guarantees of the security of property and infrastructure.

Given the current situation, businesses would be advised to adopt the following strategies:

- Distancing themselves as far as possible from the political agenda in the country due to rapid changes and mounting uncertainty;
- Creation of an experienced crisis team involving security professionals and government relations managers to ensure emergency preparedness;
- Depending on the sector, a temporary suspension of activity may be necessary until the situation stabilises, as well as arranging physical protection of assets;
- Co-operation with state- and non-state stakeholders in order to ensure protection of private property.

BACKGROUND & CONSEQUENCES OF THE NULLIFICATION OF ELECTIONS

According to the preliminary results of the nullified elections, just 5 out of 16 participating parties entered the Parliament⁵. Two parties, Birimdik ("Unity") and Mekenim Kyrgyzstan ("My homeland is Kyrgyzstan") gained more than half of the seats. Neither of these two parties have ever been represented in the Parliament before: only one (the "Kyrgyzstan" party) of the six parties making up the current Parliament managed to remain, while all the most significant parties of the opposition lost their seats. The reactions of opposition supporters to being 'locked out' of Parliament has sparked the crisis, while further factors behind the instability are the sharply deteriorating economic situation in the country⁶ and the "second wave" of COVID-19, which the national healthcare system is failing to deal with.

Birimdik and Mekenim Kyrgyzstan represent the interests of two Southern Kyrgyz clans. Birimdik is linked to President Jeenbekov: his brother was on the party's list. Mekenim Kyrgyzstan has links to the major businessman and former vice-head of the country's customs authority, Rayimbek Matraimov. Prior to the elections, there was a running media war and even occasional physical confrontation between the supporters of the leading parties.

⁵ To enter the parliament, a party must secure 7% or more

⁶ Kyrgyzstan's GDP decreased by almost 12% during the first six months of 2020, the worst performance in Central Asia

The decision made by Central Election Commission to nullify the election was mostly driven by the defection to the protesters' side of the enforcement bodies: the police and the prosecutor's office. 2005 showed that the position of the national security forces is critical to the power structure in Kyrgyzstan.

The opposition parties are likely to benefit from the re-running of the election. They have formed the Co-ordination Council, an informal body including representatives of the Social and Democratic Party of Kyrgyzstan (the party of ex-president Almazbek Atambayev), the Republic Party, Ata Meken, Butun Kyrgyzstan, Bir Bol and Zamandash. The Council was formally created to restore the legal framework, but in reality, to seize power and redistribute it in favor of representatives of the opposition forces.

The early retirement of President Jeenbekov and new presidential elections in the mid-term both seem likely in the aftermath of the re-run parliamentary election. However, this scenario could be coupled with the creation of parallel power structures – a shadow government, prosecutor's office, the appointment of “people's mayors” in large cities, including Bishkek. In this case, the full disruption of authorities and a temporary paralysis of governmental bodies are both highly likely⁷. At present, alternative protests against “the self-appointed” are taking place in Bishkek, which may lead to further street clashes between rival supporters.

Riots have already led to attacks on industrial sites (in particular, gold and copper mines) and the seizure of property and money. The largest business associations⁸ of the Republic appealed to all party leaders to try and stop the looting and violence and to ensure the security of private property and business facilities.

Opposition parties, meanwhile, have declared their intention to form a “government of people's trust”. Nevertheless, the current Constitution allows the formation of a government only via a parliamentary majority:

- however, amid the crisis, the preservation of the current parliamentary majority (coalition) cannot be guaranteed;
- additionally, a number of opposition parties are not present in the acting parliament (Republic, Zamandash), which could make negotiations on the formation of new government more difficult.

The current situation may lead to the repeat of the post-revolution events of 2005 and 2010, namely a prolonged political crisis caused by the weakness of the current government and enduring conflict within the clans.

HOW THE SITUATION MAY UNFOLD

At the time of writing, the following sequence of events is possible:

1. Re-formation of the present coalition in the parliament and the automatic resignation of government;
2. Appointment of a new government and setting a date for new parliamentary elections;
3. A re-run election and the formation of new parliamentary majority;
4. Re-appointment of government or forming a new cabinet of ministers;
5. Early presidential election will happen in the event of President Jeenbekov's resignation.

⁷ As of October 6, the protesters seized the buildings of Zhogorku Kenesh, State Security Committee, Bishkek City Hall and others. The National Bank recommended financial bodies suspend their work for security reasons. Additionally, the financial regulator suspended the work of international payment systems in the country.

⁸ The appeal was signed by Association of Suppliers, National Alliance of Business Associations, Association of Agrobusinessmen Jer Azigi, Association of Jewellers of the EAEU, International Business Council etc.

The first and second items above are not time sensitive and fully depend on the possibility of compromise between the key actors. According to the Constitution, Zhogorku Kenesh elections are set by the President, which means this issue is a matter of negotiation between the acting President and the Opposition.

The formation of a new parliamentary majority, the appointment of a Prime Minister and the ministers are all regulated by the Constitution. The coalition process may take 25 days from the first session of the Parliament and may be prolonged for 30 days. Therefore, there is a high chance that re-shaping of power in Kyrgyzstan will not be completed in 2020.

The future prospects of President Jeenbekov will significantly influence the structure of power, with the following scenarios possible:

1. Early resignation of President Jeenbekov and new Presidential Elections;
2. President Jeenbekov secures his post and regains control over the situation or the conflict escalates to civil confrontation.

Currently, an early resignation seems more likely. During the street protests, the President has lost his influence on the enforcement agencies, Ministry of Internal Affairs and State Security Committee. Without them, it seems unlikely he will regain control over the situation. Indeed, as of October 9th, the exact whereabouts of the President are unknown, adding to the confusion and sense of drift.

However, President Jeenbekov, could yet secure his post if his impeachment proves impossible and he refuses to resign, both of which could contribute to the further escalation of conflict, and in case of Jeenbekov's relocation to the southern regions, to possible civil conflict.

PROSPECTS OF FURTHER INTEGRATION OF KYRGYZSTAN IN THE EAEU

During the election campaign, the issue of the Eurasian prospects for Kyrgyzstan was an important subject. The intensity of the discussion was caused by concerns that Kyrgyzstan could lose part of its political and economic sovereignty as it moves towards further integration in the Eurasian Economic Union (EAEU)⁹.

Only Birimdik, the party of power, clearly demonstrated a commitment to the Eurasian agenda, but its positions have been shattered during the current political crisis. The events in Belarus could also influence discussions within Kyrgyzstan¹⁰.

Depending on the future course of events, the re-shaping of the power structures may lead to changes in those individuals representing Kyrgyzstan within the EAEU bodies. In particular, Kyrgyzstan representatives in the Eurasian Economic Commission are responsible for such areas as customs cooperation, transportation, infrastructure and energy.

At the moment, the participation of Kyrgyzstan in the EAEU's current work is actually suspended. Without a confirmed Prime Minister, Kyrgyzstan in fact missed the meeting of the EAEU intergovernmental council (*according to the format, the meeting must be attended by the PM from each member state*), which was held on October 9 in Yerevan.

⁹ The EAEU members are Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia.

¹⁰ Protests, which started after presidential election, and the discussion on the possible unification of Russia and Belarus in the framework of Union State.

The current events in Kyrgyzstan may influence the prospects of neighboring Uzbekistan participating in the EAEU. On October 6, Uzbekistan closed its borders for Kyrgyzstan citizens under the pretext of COVID-19 pandemic: border conflicts occur regularly between Kyrgyzstan and Uzbekistan.

In spite of past rhetoric, no political power in Kyrgyzstan directly opposes the membership of the country in the EAEU. The majority of the opposition does not have an expressed position on this matter¹¹. In general, a number of major geopolitical actors have influence on Kyrgyzstan, including Russia, USA, China and Turkey. This determines the complicated balance and fragility of the situation when it comes to defining the country's foreign policy.

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About Kesarev

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¹¹ Kyrgyzstan joined the EAEU during Almazbek Atambayev's presidency in 2015.