

# Flirting with State Failure

## Power and Politics in Kyrgyzstan since Independence

Johan Engvall

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Johns Hopkins University-SAIS, 1619 Massachusetts Ave. NW, Washington, D.C. 20036  
Institute for Security and Development Policy, V. Finnbodav. 2, Stockholm-Nacka 13130, Sweden  
[www.silkroadstudies.org](http://www.silkroadstudies.org)

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Paul H. Nitze School of Advanced International Studies  
1619 Massachusetts Ave. NW, Washington, D.C. 20036  
Tel. +1-202-663-7723; Fax. +1-202-663-7785  
E-mail: [caci2@jhu.edu](mailto:caci2@jhu.edu)

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V. Finnbodavägen 2, SE-13130 Stockholm-Nacka  
E-mail: [info@silkroadstudies.org](mailto:info@silkroadstudies.org)

Editorial correspondence should be addressed to Svante E. Cornell, Research and Publications Director, at either of the addresses above (preferably by e-mail.)

# Content

Executive Summary ..... 5

Introduction..... 9

A Note on the Pre-Soviet and Soviet Periods..... 12

Central Asia’s Unorganized Island of Democracy.....18

The Rise of the Ruling Family..... 31

Bakiev’s Kleptocracy.....53

The Nature of Political Power in Kyrgyzstan ..... 73

Beyond Akaev and Bakiev: Is a Fresh Start Likely?..... 92



## Executive Summary

2010 was a dramatic year in Kyrgyzstan. In April, a revolt unseated the country's leader for the second time in five years. In the aftermath of this upheaval, deadly ethnic riots in June took the life of over 400 people in southern Kyrgyzstan and led to the displacement of more than 100,000. After these events, parliamentary elections were held in October bringing hope for stability and peaceful developments.

Those elections inspired observers to talk about a historical watershed of democratic politics and a parliamentary system in Central Asia. Yet in order to understand the challenges and opportunities ahead and assess whether a fresh start for Kyrgyzstan is likely, it is not sufficient to look at elections, or indeed the formal structure of government. It is necessary to go beyond these to seek an understanding of how Kyrgyzstan's politics actually have come to work since independence.

This study aspires to do exactly that. Beginning with Kyrgyzstan's political situation at the dawn of the unexpected independence from the Soviet Union in 1991, it examines the progressive first years of independence, when the country's first President, Askar Akaev, was widely lauded by the international community for his bold attempts to introduce democracy and a market economy. Although Akaev appears to have harbored a sincere vision of reforming the political and economic system, he ruled through a heterogeneous government unable to implement these ideas in real life, leading to chaos and minimal levels of governance. In this environment, people were largely left to seek protection and justice on their own.

Starting in the second half of the 1990s, Akaev embarked on an increasingly authoritarian path. Using referenda, the president strengthened his formal political powers at the expense of other branches of the government. Moreover, the president and his family increasingly approached the state and the economy as personal fiefdoms. A ruling family emerged, based on control

over the country's politics and economy, which increased popular dissatisfaction with the incumbent leader. This culminated in the so-called Tulip Revolution that unseated Akaev.

The Tulip Revolution initially brought hope for renewed democratization. Yet under President Kurmanbek Bakiev's tenure, from 2005 to 2010, Kyrgyzstan's downward slide accelerated perilously. The new ruling family created a full-scale kleptocracy based on establishing control over all major financial flows, and top government positions were distributed to the president's closest family members at the expense of competing political elites. In pursuing this aggressive policy, Bakiev overreached; his overthrow in April 2010 demonstrated that violence had become an increasingly accepted method for regulating politics.

This study concludes that political power in Kyrgyzstan is a battle between personalities, not organized group interests. Elites compete for power not through formal institutional channels, but by means of competing informal patron-client pyramid networks. These networks are primarily based on two things: family ties and money. When one of these pyramid networks manages to consolidate power, the state itself is constructed according to the same basic logic, and is made to function as a shield protecting the ruling group from the rest of society. A striking feature is the extent to which political power is motivated by greed: ideology as well as other motives for seeking power are very weak. Consequently, many key political figures rather take the money and run, instead of resisting attempts to usurp power with decisive force. Against this background, the power changes in Kyrgyzstan in 2005 and 2010 are not as dramatic and "revolutionary" as often proclaimed; they are rather manifestations of the nature of power in the country.

The actual political order that has emerged in contemporary Kyrgyzstan has three major features. A first striking component is the dominance of *personalized influence games*. In this system, success is dependent on proximity to the president and his family circle. As a consequence, property rights are rarely protected by courts but are beholden to the courtesy of the ruler's will and the shifting balance among competing families. Economic holdings can be protected if claimants in some way or the other can demonstrate their commitment and willingness to serve the ruling family, and manage to find a mu-



tually beneficial relationship with its representatives. In brief, rather than relying on due legal process, finding a so-called political roof (a *krysha*) is ultimately the only way to protect rights, and a fundamental element of order. In contrast to a predictable judicial order under the rule of law, however, the personalized influence system ensures very short term jurisdiction. If an individual becomes a political threat, protection can be withdrawn instantly.

A second pillar of political power is the *redistribution of rents*. In Kyrgyzstan, out of necessity, all large economic entities are also political organizations. No business can survive without connections to the state. In a system based on controlling rents, the strongest politician needs to be the biggest business executive. Thus, the separation between politics and the economy that is generally assumed to exist across countries is merely artificial in Kyrgyzstan: the state is in fact the arena through which wealth and status are obtained. From an economic perspective, what has emerged in Kyrgyzstan is not a market-oriented capitalism but a politically-oriented capitalism.

Finally, the *state itself is organized as a marketplace*. For the operation of the state, this market logic holds a number of significant implications. First, administrative and political offices are investments much like on any other market and are motivated by return on investments by the means of graft. Second, due to frequent government turnovers, individuals adopt a very short term decision horizon and seek return on their investment as quickly as possible. Third, since the ability to pay for a position determines who will be appointed, the quality of governance is negatively affected. Fourth, since they are effectively privatized, there are in reality no state-supplied public goods; access to police protection or redress in court require informal monetary payments. Fifth, funds that could flow into productive economic activity are instead circulating unofficially among state officials with negative consequences for economic growth as well as for the state treasury.

Against this background, is a fresh start likely in Kyrgyzstan, and could a parliamentary system serve as a vehicle of change?

First of all, political change in Kyrgyzstan cannot be measured by changes in the formal framework of governance. A new development path requires fundamental changes to the motivation and behavior of the political elite. Yet the performance of the provisional government and of party leaders in the

new legislature raises doubts about whether the new political leadership fits this ticket. In fact, as before, corrupt practices and the redistribution of assets for private purposes have continued to dominate politics. In an optimistic scenario, a parliamentary system may gradually reduce the possibility of one particular faction to monopolize the forms of corruption around which the system is being organized. Increasing competition in the political economy may gradually stimulate more diverse alliances and more interest groups, leading to more universalistic rules at the expense of the particularistic personal relationships presently defining the country. However, there is also the question of whether the state is too weak to actually manage to provide the basis for a functioning system of governance, whether parliamentary or presidential.

What, then, should the priorities be? The political leadership must get the logic right. Democracy is a form of governance of a state. Therefore, for democracy to make a substantial difference, it is of paramount importance that the state be rebuilt. Critical dimensions include ensuring basic law and order, a functioning public administration that provides citizens a minimum of public goods, increases the government's public legitimacy, and reduces the role of alternative sources of authority and protection. Developing a sound judicial system is also important in order to curb the dominance of informal personal relationships in shaping political power and access to wealth.

## Introduction

At first glance, post-Soviet Kyrgyzstan can point to a number of inspiring developments. The country was known as a liberal oasis in the 1990s, and was even dubbed the “Switzerland of Central Asia.” Surprisingly competitive elections have been held since independence, and constitutional reform in June 2010 laid the grounds for the first parliamentary-style political system in Central Asia. The subsequent parliamentary election in October 2010 was recognized by international observers as the first to be free and fair in Central Asia. The election results further brought hope of political pluralism and a democratic breakthrough as the votes spread roughly equally among five different political parties. In Freedom House’s influential rankings of political rights and civil liberties in transition countries, Kyrgyzstan has been the only state in Central Asia to rank as partly free. International aid and foreign attention to the country have been higher than expected. First President Askar Akaev responded to international pressures and incentives by introducing significant liberal economic reforms - measures that were widely met with enthusiasm among western academics and policymakers alike. In a major study of the economic transition in the post-Soviet region it was argued that by the mid-1990s, the progress made in Kyrgyzstan was trumped only by the Baltic states.<sup>1</sup> Civil society is by far the most vibrant in Central Asia, and the press continues to publish critical commentary about the government. Levels of political activism are high, and the opposition and the citizens have been quick to voice protests against government policies. Corruption, human rights abuses and environment issues have all been the focus of demonstrations.

Yet, at the same time Kyrgyzstan has been deeply marred by poor governance, extraordinarily rapacious forms of corruption and dire economic and

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<sup>1</sup> Gertrude Schroeder, “Economic Transformation in the Post-Soviet Republics: An Overview,” in Bartłomiej Kaminski (ed.) *Economic Transition in Russia and the New States of Eurasia*, Armonk: M.E. Sharpe, 1996, pp. 11-41.

social straits. Political instability appears inherent in the country: in April 2010, for the second time in five years, a few thousand protesters managed to seize power and force the incumbent leader out of the country. Both in 2005 and 2010, severe political, economic and social disorder followed. Indeed, the situation has become so fragile that country specialists increasingly question whether any political consolidation is at all possible in the country.

Indeed, a political culture has evolved in Kyrgyzstan in which the state is not an arena for elite competition over sound decision-making policies, but the source of elite infighting over the control of wealth. Theft and embezzlement of the state's administrative, political and economic resources have long ago moved beyond the point when they represent individual cases of officials' infringing upon universal rules. Rather, these practices signify to something quite different: a dominant norm for the distribution of power and wealth.

That this is how the political system of Kyrgyzstan actually works is increasingly accepted by politicians as well as by the general population. Moreover, efforts to conceal this reality are diminishing by the day. Public offices are bought and sold like commodities on investment markets; high-level officials embezzle state funds, manipulate regulations, construct illicit revenue schemes at the expense of the state treasury, and use the decision-making and enforcement powers of the state in order to make a return from their offices. The effects are seen on all levels. Local observers note that the educational system is turning into a marketplace pure and simple; students purchase enrollments, graduation and, then, jobs.<sup>2</sup> As a result, the level of student knowledge is falling rapidly. According to an international assessment in 2009, Kyrgyz students performed the worst among 65 participating countries, and by quite a margin. The gap between Kyrgyz students and the highest performing students from China's Shanghai corresponds to more than six years of schooling.<sup>3</sup> Merit plays little of a role in determining recruitment to public offices, while money matter a great deal. Elemental state organs, like the police and the tax administration, are reminiscent of commercial organi-

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<sup>2</sup> See for example, Erkaim Mambetalieva, "Corruption in Higher Education: Sources, Scale and Solutions," *Policy Brief*, Social Research Center, AUCA, Bishkek, December 3, 2008.

<sup>3</sup> OECD, "PISA 2009 Results: Executive Summary," 2010, p. 6, available at [www.oecd.org/dataoecd/34/60/46619703.pdf](http://www.oecd.org/dataoecd/34/60/46619703.pdf)

zations, where money flow bottom-up. Justice and protection are available to those with money or connections. Thus, the concept of public goods and services pertaining to the general population bear little resonance in the context of the Kyrgyz state. According to a recent study, the quality of the provision of services, like health care, transportation and energy are “at the edge of collapse.”<sup>4</sup>

This background raises a number of queries. How could things go so wrong in Kyrgyzstan? What are the prospects that the country will stabilize and develop following the introduction of a parliamentary system of governance in 2010? This paper proposes to explore these problems by undertaking a comprehensive examination of the evolution of political power in Kyrgyzstan since independence in order to find out what is behind the conventional surface of government buildings and the multitude of public officials meeting a visitor to the capital, Bishkek.

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<sup>4</sup> International Crisis Group, “Central Asia: Decay and Decline,” *Asia Report 201*, February 3, 2011.

## A Note on the Pre-Soviet and Soviet Periods

Historically, the Kyrgyz were nomads strongly organized around large kinship systems. In antiquity and the Middle Ages, the Kyrgyz were inhabitants of southern Siberia along the upper shore of the great river Yenisei. At times, various Kyrgyz tribes made advances southwards. For example, in 840, the Kyrgyz advanced into central Mongolia, destroying the Uighur kingdom in the process. In the 13<sup>th</sup> century, still remaining in Siberia, they were incorporated into the expanding Mongol empire.<sup>5</sup> It was not until the 16<sup>th</sup> century that the Kyrgyz came to make their presence permanently felt in Central Asia, mainly on the territory of what is present-day Kyrgyzstan.

The Kyrgyz however were not a unified group, and on the most abstract level, large kinship systems were roughly corresponding to the North and South of the country. At the next level of organization, they were divided into different clans, with the family representing the lowest and most immediate level of organization within these organizations. Each nomadic tribe had its tribal chief (up until the nineteenth century known as *biï*, thereafter titled *manap*), regulating judicial and territorial claims with rivaling tribes and settling disputes among his tribesmen. As of the seventeenth century, Kyrgyz tribes were of roughly equal size, and since no one tribe could decisively defeat others and centralize authority, a decentralized balance ensued. As some tribes grew stronger, sporadic efforts were made to politically unite the Kyrgyz. The most prominent example is the attempt by the nineteenth-century *manap* Ormon, of the Sary Bagysh tribe in northern Kyrgyzstan, to set himself up as the leader of a confederacy of tribes. Yet, this and other attempts failed to yield any tangible results.<sup>6</sup>

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<sup>5</sup> Svat Soucek, *A History of Inner Asia*, Cambridge: Cambridge University Press, 2000.

<sup>6</sup> Paul Georg Geiss, *Pre-Tsarist and Tsarist Central Asia: Communal Commitment and Political Order in Change*, London: Routledge, 2003, pp. 109–10.

Some suggest that leadership among Kyrgyz tribes gradually came to be transferred through elections.<sup>7</sup> Others argue that the election of a leader was more of an acclamation along hereditary lines.<sup>8</sup>

The origin of the modern Kyrgyz state is intimately connected to Russia, whose influence on Kyrgyz society started more than 150 years ago during the Russian empire's advances into Central Asia. At that time, the Kyrgyz still consisted of many tribal entities, and the Russian authorities used inter-tribal relations and competition as a mechanism of colonial control. With the Bolshevik revolution and the ascent of the new Soviet power, the situation changed. Soviet authorities attempted to replace tribal identities with the notion of class struggle. The new local communist elite of Soviet Kyrgyzstan was heavily formed around the Soviet cadre elite. To eradicate prevalent identities, repression was employed during the 1920s and 1930s when Stalin launched vigorous attacks on these structures to ensure central control over the local leadership. Over time, however, the Soviet experiment introduced more subtle methods to loosen the influence of the tribal and kinship system, including a strong focus on mandatory education.

Nevertheless, the Soviet power was not fully able to eradicate pre-Soviet identities. In fact, during the less repressive post-Stalin era these traditional political networks were allowed greater freedoms in the daily political life of the republics, as long as the republics fulfilled their economic, military and political obligations to Moscow. As noted by Frederick Starr,

... the task of balancing these divergent interests fell to the Politbureaus, meeting behind closed doors. To achieve this they backed strong local leaders like Rashidov in Uzbekistan, Usubaliev in Kyrgyzstan, Kunaev in Kazakhstan, Aliyev in Azerbaijan, Gapurov in Turkmenistan, and Rasulov in Tajikistan. These men gained legitimacy because the local power brokers

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<sup>7</sup> Grigorii Broido, *Vosstanie kirgiz v 1916 godu*, Bishkek: Asaba, 1991 (original from 1925).

<sup>8</sup> Geiss, *Pre-Tsarist and Tsarist Central Asia*, pp. 110–11.

supported them. The resulting authoritarian systems of rule flourished under both Khrushchev and Brezhnev, and lasted for thirty years.<sup>9</sup>

In short, whereas regional cleavages and tribal identities officially were deprived of political influence, behind the scenes the local leadership in Kyrgyzstan, and the other Soviet republics in Central Asia, used these traditional, under Soviet rule informal, channels to consolidate their positions on the ground.

A debate has emerged in contemporary scholarship on Central Asia whether clan organizations or regional-administrative networks were the main identities shaping the Soviet system in Central Asia. However, whether organized around the clan or regional administrative structures, the essence was the logic of patron-client relations. In this system, there were several levels of patron-client pyramids. The first, and principal one, was the relationship between Moscow and the Communist party leadership at the republican level. Under Brezhnev's "stability in cadres" policy, as long as the leadership of the Kyrgyz Soviet Socialist Republic fulfilled its obligations to the center in Moscow, the degree of interference with the daily political life of the republic was quite low. In patron-client terminology, the patron designed specific performance criteria for the clients to meet. As long as the clients met these targets or convinced the patron that they had done so, their use of their share in the patron's assets was largely unmonitored.<sup>10</sup>

In the Soviet system, the patron-client arrangement was ultimately backed up by strong coercive power. This was clearly manifested in the 1980s when systematic corruption and abuse of the patron's assets were revealed among regional Communist Party leaders in Central Asia, including fictitious production reports, private pocketing of surpluses and violations of cadre policies by distributing political offices to their cronies. With Gorbachev as the new patron, this was considered a violation of the terms of the tacit agree-

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<sup>9</sup> S. Frederick Starr, "Clans, Authoritarian Rulers, and Parliaments in Central Asia," *Silk Road Paper*, Washington, D.C.: Central Asia-Caucasus Institute – Silk Road Studies Program, June 2006, p. 8.

<sup>10</sup> Steven L. Solnick, "The Breakdown of Hierarchies in the Soviet Union and China: A Neoinstitutional Perspective," *World Politics* 48 (2), 1996, p. 218. Solnick prefers the principal-agent terminology to characterize this system.



ment and Moscow responded, under the banner of anti-corruption, with mass purges of the regional leadership structures in Central Asia. This upset the political equilibrium that had been nourished for thirty years.

In Kyrgyzstan, the local Communist Party leader since 1961, northerner Turdakun Usubaliev, was removed in 1985 with the accusation of failing to fulfill the plan and spoiling the party cadre. He was replaced by Absamat Masaliev, whom Moscow entrusted to be a Party loyalist, from the southern Osh province. Masaliev quickly denounced the policies of his predecessor and started redressing the longtime dominance of the northern elites by building up his southern based patronage networks and promoting clients from the South.<sup>11</sup>

### **Emerging Elite Competition within the Disintegrating Soviet Monolith**

From the perspective of post-communism as a distinct historical episode of state formation and state building, one major factor distinguishes it from earlier historical episodes of state formation and state building – the fusion of politics and economics, or power and property. The Soviet legacy of central planning meant that the economy was the polity, and political power equaled control of economic opportunities. Therefore, after the Soviet state's collapse, independent state building processes were undertaken simultaneously with the disintegration of the state-owned economy.<sup>12</sup> Given the monopoly on political and economic power concentrated in the state's hands under the planned economy, the competition for power in post-Communist countries was largely predestined to take place between competing factions inside the state.

To some extent Kyrgyzstan represented a deviant case in Central Asia, as some fundamental changes could be seen on the eve of independence. Already in the March 1989 elections of Kyrgyz representatives to the USSR Congress of People's Deputies, Eugene Huskey notes that:

Despite vigorous attempts to preserve the forced unity of traditional rule, the Kyrgyz political leadership was unable to prevent the election from opening –

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<sup>11</sup> Eugene Huskey, "The Rise of Contested Politics in Central Asia: Elections in Kyrgyzstan 1989–90," *Europe-Asia Studies* 47 (5), 1995, p. 816.

<sup>12</sup> Venelin I. Ganey, "Post-Communism as an Episode of State Building: a Reversed Tillyan Perspective," *Communist and Post-Communist Studies* 38 (4), 2007, pp. 425–45.

and exposing to public view – serious rifts in the republic. Fault lines emerged within the élite itself ...<sup>13</sup>

In October 1990, following constitutional changes, the post of President of the Kyrgyz Soviet Republic was introduced. The president was to be elected by the members of the parliament (the Supreme Soviet), and the first presidential elections, further revealed the illusion of a unified Kyrgyz political leadership. Instead of coordinated selection of one candidate, three top level career communists, all members of the Central Committee of the Communist Party, emerged as contenders: Absamat Masaliev, First Secretary of the Communist Party of Kyrgyz SSR, Apas Jumagulov, Chairman of the Council of Ministers, and Jumgalbek Amanbaev, Party First Secretary for Issyk-Kul oblast. In the words of Medetkan Sherimkulov, member of the Central Committee of the Kyrgyz Communist Party:

... in the meeting in the politburo of the Central Committee of the Communist Party it was an understanding that the party should nominate one candidate – Absamat Masaliev. But already the next day at the election three candidates immediately appeared. This shows that within the Politburo, there was no unity and mutual trust. Already then, everyone saw themselves as President. The declaration of a unitary Communist Party of Kirgizia turned out to be a bluff.<sup>14</sup>

None of the candidates received a majority approval by the parliament and, in accordance with the 1978 Soviet constitution, both candidates were disqualified. This reopened for a new nomination process, and one of the new candidates put forth was Askar Akaev, then President of the Kyrgyz Academy of Science. On October 27, 1990, with a narrow margin, Akaev was elected as the first president of Kyrgyzstan.

After the elections in 1990, the last year of Soviet rule witnessed a dual power structure, since both First Secretary Masaliev, supported by the extensive party-state bureaucracy and President Akaev, relying on public support and

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<sup>13</sup> Huskey, "The Rise of Contested Politics in Central Asia," p. 821.

<sup>14</sup> Interview with Medetkan Sherimkulov in *Litsa*, May 17, 2007.

fractions in the parliament, claimed political supremacy.<sup>15</sup> By the time of independence, however, Akaev's power base had been bolstered by his decisive condemnation of the August 1991 coup against Gorbachev.<sup>16</sup> While other Central Asian leaders remained silent and cautiously awaited developments in Moscow, Akaev immediately threw his support behind Boris Yeltsin, and after the coup failed, he declared Kyrgyzstan an independent state on August 31, 1991.

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<sup>15</sup> Eugene Huskey, "Kyrgyzstan: The Fate of Political Liberalization," in Karen Dawisha and Bruce Parrot (eds.), *Conflict, Cleavage, and Change in Central Asia and the Caucasus*, Cambridge: Cambridge University Press, 1997, p. 253.

<sup>16</sup> See for example Regine A. Spector, "The Transformation of Askar Akaev, President of Kyrgyzstan," *Berkeley Program in Soviet and Post-Soviet Studies Working Paper Series*, Spring 2004, pp. 10-11.

## Central Asia's Unorganized Island of Democracy

Kyrgyzstan was one of the former union republics least prepared for independent statehood. In comparison to, for example, the republics in the Baltics or the Caucasus where independence movements formed in the 1980s, no such popular mobilization took place in Central Asia. According to a Kyrgyz minister in the early 1990s, for Kyrgyzstan the collapse of the Soviet Union resulted in “independence that no one wanted.”<sup>17</sup> In the opinion of another high level official, Kyrgyzstan was theoretically an autonomous political entity, but this had little practical meaning, because Moscow had controlled the republic's economic and political functions for seventy years.<sup>18</sup> Thus, President Akaev faced formidable challenges in formulating policies and creating institutions that could survive independently.

### **President Askar Akaev, his Supporters and Protagonists**

Akaev's background was in academia. He had spent a large part of his adult life outside of Kyrgyzstan. From 1962 to 1976, he studied and worked at Leningrad Technological Institute. In 1981, he earned a doctorate from Moscow Institute of Engineering and Physics. His involvement in the Kyrgyz Communist Party began in the early Gorbachev-years as Communist Party secretary for science and education in Kyrgyzstan. In 1989, he became the president of the Academy of Sciences and was elected as deputy in the Supreme Soviet legislature. According to Huskey,

... unlike in some other Central Asian countries, President Akaev could not use the Communist Party ... as his base of institutional support. Where Presidents Islam Karimov of Uzbekistan and Saparmurat Niyazov of Turkmenis-

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<sup>17</sup> Author's interview with Muratbek Imanaliev, former Minister of Foreign Affairs, Bishkek, May 2007.

<sup>18</sup> Author's interview with Rafkat Khasanov, former Deputy Minister of Finance, Bishkek, May 2006.

tan inherited intact the traditional institutions of rule, Akaev, like Boris Yeltsin, was forced to build a new structure of political authority, a new 'ruling' vertical. ... he had broken with the republican party leadership by the end of the 1980s, and in his first year as president of Kyrgyzstan – from November 1990 to December 1991 – he ruled in opposition to an unreconstructed, and increasingly discredited, Communist Party apparatus. Akaev entered the independence period, therefore, without the benefit of a national political elite united around him.<sup>19</sup>

Since Akaev partly came from outside the system, lacked significant political experience and wide political backing at the republican level, he was forced to build up his political authority.<sup>20</sup> In doing so, he resorted to conventional wisdom by finding people who supported his political vision for Kyrgyzstan. He relied on academic colleagues and people with whom he had close personal ties. A political analyst described the academic component during Akaev's first years as follows:

In the beginning when Akaev came to power educational ties were quite important. Some of his closest supporters, like the Sarygulov brothers, had been close to Akaev since early days in the university. Prominent senior members of the intelligentsia such as rectors of Kyrgyz universities were also strongly supporting him.<sup>21</sup>

Particularly influential posts were handed to individuals from Bishkek Polytechnical Institute where Akaev had been working as Professor until 1986, as well as younger professionals with a background in economics and natural sciences.<sup>22</sup>

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<sup>19</sup> Eugene Huskey, "An Economy of Authoritarianism? Askar Akaev and Presidential Leadership in Kyrgyzstan," in Sally N. Cummings (ed.) *Power and Change in Central Asia*, New York: Routledge, 2002, p. 75.

<sup>20</sup> Spector, "The Transformation of Askar Akaev," p. 8.

<sup>21</sup> Author's interview with Kyrgyz scholar, Bishkek, June 2009.

<sup>22</sup> Prominent examples include Deputy Prime Minister, Osmonakun Ibraimov, Minister of Emergency, Mambetdjunos Abylov, and the Head of the Presidential Administration, Kubanychbek Jumaliev, all of them from the South. Individuals with a background in Bishkek Polytechnical Institute with a northern regional belonging included Jumabek Ibraimov and Misir Ashyrkulov. Other prominent high-level officials with a background in academia in the early Akaev years included Muratbek Imanaliev,

Nevertheless, in his early years, Akaev's position was contested and he was forced to confront various competing power loci. These have been thoroughly documented in previous scholarship, but an overview of the main sources of political contestation in the early 1990s is in order. First, it has been noted that Akaev was appointed president not because of his own political weight, but more as a compromise acceptable to powerful informal leaders, mainly representing influence groups based in the North of the country.<sup>23</sup> The fact that Akaev had lived and studied in St. Petersburg for years meant that he was not seen as a mouthpiece for any specific clan or regional interest. In the beginning he maintained a degree of balance in the polity by distributing political and economic resources among rivaling elite factions, including informal leaders<sup>24</sup> and by decentralizing political power to regional administrative elites.<sup>25</sup>

Moreover, national political institutions and the elites in charge of them were far from united. Akaev had to confront a strong opposition from different interests and branches of the government that had previously been parts of the vast Communist Party apparatus. The first post-independence parliament that existed until 1994 was the site for the greatest resistance against Akaev's policy-making authority.<sup>26</sup> In particular the influential conservative faction consisting of representatives of the Communist Party actively tried to block the radical reform program that Akaev launched in order to address economic hardships and restructure the relationship between the state and

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Kenelbek Nanaev, Abdygany Erkebaev, Osmonakun Ibraimov, Talaibek Koichumanov, Dastan and Askar Sarygulov. It is worth noting that the regional origin of individuals at the highest level of political power with a professional background in academia was mixed and included northerners as well as southerners.

<sup>23</sup> Personal communication with Kyrgyz experts, Bishkek, 2006. Akaev's presidency coming about as the result of a pact between clans has been analyzed by Kathleen Collins, *Clan Politics and Regime Transition in Central Asia*, Cambridge: Cambridge University Press, 2006. Also see Starr, "Clans, Authoritarian Rulers, and Parliaments in Central Asia."

<sup>24</sup> According to Kathleen Collins, his involvement of all major clans in the government garnered him support for the short-term (Collins, *Clan Politics and Regime Transition in Central Asia*, pp. 189–90).

<sup>25</sup> Pauline Jones Luong, *Institutional Change and Political Continuity in Post-Soviet Central Asia*, Cambridge: Cambridge University Press, 2002.

<sup>26</sup> Martha Brill Olcott, *Central Asia's New States: Independence, Foreign Policy, and Regional Security*, Washington, DC: United States Institute of Peace Press, 1996, p. 94.

the economy.<sup>27</sup> To mitigate these tensions, it has been reported that the competition between the executive and legislative branches were kept within some frames with the help of an informal pact between Akaev and the powerful speaker of the parliament, Medetkan Sherimkulov.<sup>28</sup> In recalling the first few years of independence, Sherimkulov argues that his authority at the time was no less than that of Akaev.<sup>29</sup>

Rivalries within different parts of the government's executive branch were also rife. As a former minister stated:

Until 1997, the most progressive parts of the government were the presidential administration and the ministry of economy and finance. In these bodies, young reformers tried to introduce radical economic reform based on best international practices. The enforcement bodies, especially the ministry of internal affairs, were the complete opposite. In these structures, the old mentality prevailed. They did not change from the old Soviet style in order to adapt to market economy and democracy. As a result of contradictions within different sectors of the government, there was a severe implementation gap. Many reforms were never implemented.<sup>30</sup>

In short, within the government the strongest challenge to Akaev's authority over policy-making decisions was parliamentary resistance while control over the implementation of these decisions was severely hampered by a weakening power vertical and lack of harmonization between various ministries. As an observer notes, in comparison to, for example, the Baltic states which also embarked upon democratic reforms,

Kyrgyzstan did not get rid of the Soviet legacy, and the old Soviet apparatus was still intact. High-level officials became democrats over night. Parallel games took place: the old structures and actors remained but within a formal-

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<sup>27</sup> Rafis Abazov, "Policy of Economic Transition in Kyrgyzstan," *Central Asian Survey* 18 (2), 1999, pp. 197–223.

<sup>28</sup> Huskey, "Kyrgyzstan: The Fate of Political Liberalization," p. 256.

<sup>29</sup> *Litsa*, May 17, 2007.

<sup>30</sup> Author's interview with Talaipek Koichumanov, former Minister of Finance, Bishkek, February 2006.

ly new framework. Kyrgyzstan did not dismantle the old Soviet structures, just gave them new names.<sup>31</sup>

Before dwelling further into the discrepancy between decision-making and implementation of these decisions, the major reforms initiated by Akaev need to be discussed.

### **Privatization, Power and Wealth**

As a result of the break-up of the unified Soviet economy, whose main components were direct budget subsidies to Kyrgyzstan from the centralized union-budget in Moscow, and local enterprises access to all-union markets, Kyrgyzstan witnessed a dramatic drop in national income. President Akaev himself observed that:

In general, the total amount of subsidies, both direct and indirect, comprised approximately 20 per cent of GDP. After the collapse of the USSR, all these subsidies vanished. In other words, if we take into account the fact that the 1991 USSR budget deficit made up 28 per cent of GDP, Kyrgyzstan entered 1992 with a national budget about half what it had been in Soviet times.<sup>32</sup>

Akaev's response to the dire new economic reality was to introduce radical economic reforms under the guidance of international financial organizations:

With the beginning of privatization in 1992, we outlined the medium-term program for the period 1992–98, which was implemented in three phases. The first stage (1992–93) mainly involved denationalization and 'small-scale privatization' of enterprises in the fields of trade and services. In the second stage (1994–95), the legislative basis and the mass (coupon) privatization program were initiated. The third phase (1996–98) included completion of the mass

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<sup>31</sup> Author's interview with Kyialbek Toksonbaev, Kyrgyz representative of the National Democratic Institute, Bishkek, February 2006.

<sup>32</sup> Askar Akaev, *Kyrgyzstan: An Economy in Transition*, The Australian National University: Asia Pacific Press, 2001, p. 46. Also see Lucjan Orłowski, "Direct Transfers between the Former Soviet Union Central Budget and the Republics: Past Evidence and Current Implications," *Economics of Planning* 28 (1), 1995, pp. 59–73.



privatization, as well as denationalization and conversion of the major state-owned enterprises, monopolies and holding entities.<sup>33</sup>

By the end of 1994, the privatization of approximately 4,600 previously state-owned small trade outlets, retail and service establishments was largely completed. Land reform began in 1991–92, and by the end of 1995 all state and collectively owned farms had been reorganized.<sup>34</sup> According to one of Akaev's major architects of economic reform, this path was deliberately chosen under structural constraints: "We did not have the resources or industries to allow us to conduct protectionism. Our niche in the economic field was to adopt all international solutions and be the first in economic reforms."<sup>35</sup>

By 1998, about 75 percent of formerly state-owned enterprises had been transferred to private ownership (excluding the agricultural sector). In the service and trade sectors 95 percent of all companies had been privatized.<sup>36</sup> Concomitantly, as rapid privatization occurred in the spheres of private property, housing, and small and medium-sized businesses, privatization of large-scale enterprises turned out to be more difficult. Early on, a number of large industrial enterprises and electrical power distribution networks were transformed into joint-stock companies, but this did not lead to any substantial changes in their working methods, and they remained state-controlled.

Similar to other post-Soviet countries, privatization in Kyrgyzstan was unfair, and the redistribution of profitable assets earlier under the control of the Soviet party-state emerged within a closed system of elite insiders.<sup>37</sup> If we

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<sup>33</sup> Akaev, *Kyrgyzstan: An Economy in Transition*, p. 106.

<sup>34</sup> For a discussion of the challenges of land reform, see Peter C. Bloch, "Kyrgyzstan: Almost Done, What Next?" *Problems of Post-Communism* 49 (1), 2002, pp. 53–62.

<sup>35</sup> Author's interview with Talaipek Koichumanov, former Minister of Finance, Bishkek, May 2006.

<sup>36</sup> Akaev, *Kyrgyzstan: An Economy in Transition*, p. 21.

<sup>37</sup> This phenomenon has been extensively documented in previous scholarship on the political economy of post-Communist countries, and mainly relates to elite predation of national resources. In this context, scholars' have convincingly demonstrated how, after independence, the Soviet-era nomenklatura benefited from their political and administrative status. See Stephen White and Olga Kryshtanovskaya, "From Soviet nomenklatura to Russian elite," *Europe-Asia Studies* 48 (5), 1996, pp. 711–33; Vladimer Papava, *Necroeconomics: The Political Economy of Post-Communist Capitalism*, New York: iUniverse, 2005; Venelin I. Ganey, *Preying on the State: The Transformation of Bulgaria After 1989*, Ithaca: Cornell University Press, 2007.

add to this picture President Akaev's frequent complaints about corruption as the bane on his early reforms and the extraordinary asset stripping, there is no doubt that corruption immediately became the order of the day. Already in January 1993, Akaev reported in a public speech that 70 percent of the money that had been invested in the country's economy had been diverted into private hands. The accuracy of this statement is difficult to corroborate, but the fact that corruption immediately took hold was suggested in a concomitant poll with the country's few new entrepreneurs, of which 85 percent of them claimed to have to pay bribes to stay in business.<sup>38</sup>

The president's capacity to control these processes in an environment of competing government agencies was weak. Insiders within influential ministries and committees were major beneficiaries of privatization. As Akaev recalls in his memoirs:

The whole leadership of the State Property Fund was dismissed for not controlling and conniving at the process of 'prikhvatizatsii' [piratization]. To this date, I remember the case when one official 'prikhvatiziroval' cross-country vehicles – new uaz-469 all for 78 soms [US\$2].<sup>39</sup>

In tandem with privatization and the introduction of other market mechanisms, businessmen prospered outside of central control as the economy opened up. According to Scott Radnitz,

... early economic reforms and flirtation with democratic reforms shaped a more favorable environment for the private accumulation of capital and network formation among elites. New economic and political elites arose with their own ambitions and source of political power.<sup>40</sup>

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<sup>38</sup> Glenn E. Curtis (ed.), *Kyrgyzstan: A Country Study*, Washington, D.C.: Federal Research Division, Library of Congress.

<sup>39</sup> Askar Akaev, *Pamyatnoe desyatiletie*, Bishkek, 2001, pp. 257–58.

<sup>40</sup> Scott Radnitz, "It Takes More than a Village: Mobilization, Networks, and the State in Central Asia," Doctoral Dissertation, Massachusetts Institute of Technology, October 2006, p. 78.

Thus, as new spheres of economic activity mushroomed, especially in trade and services, new businessmen with weaker ties to the state also managed to build up successful holdings.

Despite Akaev's condemnations, corruption was defined from the highest level of power. The most infamous example concerned Akaev's engagements with a shadowy commodities trader named Boris Birshstein and his Toronto and Zurich-based company, Seabeco.<sup>41</sup> Birshstein held the double functions as advisor to Akaev and buyer of Kyrgyz gold. In 1993, a scandal ensued when 1.5 tons of state-owned gold were shipped out from Kyrgyzstan in a private helicopter to a Swiss Bank. The operation, widely believed to have been orchestrated by Akaev and Birshstein, provoked a public outcry and the parliament undertook an investigation of the leadership's murky gold dealings. The parliamentary report accused Seabeco of involvement in the transfer of gold with the complicity of the president's entourage, including head of the Presidential Guard, Joomart Boshkoev, the Consul General of Kyrgyzstan to Switzerland, Sanjar Aitmatov, the head of the National Bank, Kemelbek Nanaev, the director of the State Commission on Foreign Investments who, for a while, simultaneously held the post as head of the State Property Fund, Askar Sarygulov, and his brother, Dastan Sarygulov, head of the state gold company Kyrgyzaltyn.<sup>42</sup> Akaev himself survived the parliament's investigations, but his Prime Minister Tursunbek Chyngyshev was forced to resign.<sup>43</sup>

International aid was another source of large scale corruption. In the 1990s, Akaev's government benefited from the highest level of multilateral and bilateral aid in Central Asia. It is no secret that much of the aid became the target of large-scale squandering by the political elite. An international advisor

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<sup>41</sup> During the one and a half year Birshstein worked as advisor to Akaev, he had an honorary office on the seventh floor in the White House, next to President Akaev, and the Prime Minister. Birshstein was also active in Russia where he operated under the government protection of former KGB-chief Viktor Barannikov and the deputy Minister of Internal Affairs (Paul Klebnikov, "The Rise of an Oligarch," *Forbes Magazine*, September 4, 2000). Details on the relationship between Akaev and Birshstein were also given in an author interview with former high level official in the presidential administration 1991-95, Bishkek, May 2007.

<sup>42</sup> Zamira Sydykova, *Za kulisami demokratii po-kyrgyzski*, Bishkek: Res Publica, 1997, pp. 42-48; Zamira Sydykova, *Gody ozhidanii i poter'*, Bishkek: Res Publica, 2003, p. 18.

<sup>43</sup> Leyla Boulton, "The Soviet Insider, the Gold, and Kyrgyzstan's Political Innocents," *Financial Times*, January 28, 1994.

to Akaev estimates that half of the project aid from the World Bank and ABD went to kickbacks to various relevant ministers.<sup>44</sup> Still, as Eric McGlinchey argues, while foreign aid flows in the 1990s were widely embezzled, these flows were diffused and pocketed by various high-ranking officials, hence allowing Akaev to keep a fairly inclusive ruling coalition. This contrasts with later developments when political and economic resources became more exclusively concentrated in the hands of the Akaev family and their cronies.<sup>45</sup>

### Reforms without Governance

Some scholars have interpreted Akaev's liberal and market-oriented policies as determined by Kyrgyzstan's structural vulnerabilities and as a means to strengthen his position vis-à-vis his domestic rivals.<sup>46</sup> Yet, a closer look suggests that there was a real ideological dimension to Akaev's policies:

Even before August 1991, Akaev had been an intellectual, not a Party apparatchik. He was among the most active of the republican leaders in promoting glasnost', perestroika, and demokratizatsiia. As early as 1989, he pushed for more open ties with the West and for market reforms.<sup>47</sup>

As a parliamentary deputy recalled, Akaev did not turn away from reform even under political pressure, and a period when opposition was very strong.<sup>48</sup> Given the stiff competition and resistance from powerful factions in the parliament, Akaev could probably have chosen a more convenient path if he was solely motivated by his will to strengthen his own power.

Yet, for economic and political reforms and the related introduction of new citizenry rights to successfully take hold, they needed to be supported with a

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<sup>44</sup> Author's interviews with former international advisor to President Akaev, Washington, D.C., April 2006, September 2010.

<sup>45</sup> Eric McGlinchey, "Kyrgyz Chaos," unpublished manuscript, Presented at George Washington University, Washington, D.C., September 20, 2010.

<sup>46</sup> For such accounts, see Jones Luong, *Institutional Change and Political Continuity in Post-Soviet Central Asia*; McGlinchey, "Kyrgyz Chaos."

<sup>47</sup> Collins, *Clan Politics and Regime Transition in Central Asia*, p. 176.

<sup>48</sup> Parliamentary deputy Kubatbek Baibolov quoted in International Crisis Group, "Political Transition in Kyrgyzstan: Problems and Prospects," *Asia Report* 81, August 11, 2004, p. 4.

corresponding shift in the functioning of the most basic components of the state. Yet, state building was neglected, or, at least, the regime lacked the capacity to build the state. An Akaev-era minister offered the following description of the shortcomings:

Akaev took a democratic position, but he did not understand the fundamentals. He thought of democracy as the meaning of life. But for democracy to function it was necessary to build up the state logically. His main mistake was that he forgot about state building. As a result, up until 1997–98, we had a start up of democracy but it was not orderly regulated. And, democracy without rules becomes little but anarchy.<sup>49</sup>

Akaev admitted as much in recalling that: “The legal basis for [mass privatization] was developed along with the privatization itself.”<sup>50</sup> Another powerful Akaev-ally at the highest level of government who later turned into his chief rival, Feliks Kulov, claims that Akaev had many ideas and visions, but got irritated when confronted with administrative matters.<sup>51</sup> In interviews with Kyrgyz politicians, even some of President Akaev’s opponents acknowledge that he had the sincere intention of turning Kyrgyzstan into a successful democratic state, but that neither he nor the team he surrounded himself with had any clear knowledge on how to put these ideas into practice and organize a viable system of governance.<sup>52</sup>

According to a Kyrgyz politician, the government quickly organized itself along the idea that capitalism was all about personal enrichment. Several of the leading members of Akaev’s team are believed to have made fortunes on large scale embezzlement of state assets and budgetary funds in the 1990s, only to withdraw later on, reaping the benefits of their involvement in building capitalism in the 1990s.<sup>53</sup> In a book authored by Kasym Isaev, head of the department for external relations and foreign investments directly under Prime Minister Apas Jumagulov (1993–98) in the mid-1990s, the hyper-

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<sup>49</sup> Author’s interview with Muratbek Imanaliev, former Minister of Foreign Affairs, Bishkek, May 2007.

<sup>50</sup> Akaev, *Kyrgyzstan: An Economy in Transition*, p. 20.

<sup>51</sup> Feliks Kulov, *Na perevale*, Moscow: Vremya, 2009, pp. 76–78.

<sup>52</sup> Author’s interviews with Kyrgyz politicians and experts, Bishkek, 2007.

<sup>53</sup> Author’s interview with former member of Kyrgyz Parliament, October, 2010.

fragmentation of the government is the outstanding feature. The country appeared to have as many governments as there were ministries and committees. The story portrays President Akaev as an abstract figure, weakly attached to the actual implementation of policies (he is repeatedly referred to as the “theoretical physicist”), Underneath him, the picture described is one of total absence of coordination where the functioning of the government was left to the whims of different personalities. Consequently, the State Property Fund did one thing, the Ministry of Finance another, the Ministry of Interior and the Foreign Ministry yet something completely different. In this environment, Prime Minister Jumagulov is depicted as devoid of any real authority over his ministries, or as the person signing government decrees “without looking” at them. To this we should also add the powerful presidential administration and it becomes clear that the central structures of the newly independent state were operating as the lawless private fiefdoms of their lords (ministers).<sup>54</sup> To use the terminology of Mancur Olson, the collapse of the Soviet Union implied a transfer from a rather homogeneous Soviet stationary bandit to a post-Soviet system featuring a number of competing elite actors engaging in theft of the state’s economic resources.<sup>55</sup>

In hindsight, it may appear strange that the dimension of state building was neglected. But in policymaking and academic circles, the logic appeared to be that new institutions and the enforcement of them would emerge almost voluntarily to supply the demand produced by reforms, i.e. the market would produce a legal order on its own. Since Kyrgyzstan had undertaken more market reform and privatization and was a more open society than many other post-Soviet states, the expectation was that Kyrgyzstan would see reduced corruption and improved governance.<sup>56</sup> The illusory nature of this expectation was documented in a systematic fashion for the first time by the European Bank for Reconstruction and Development (EBRD)-World Bank Business Environment and Enterprise Performance Survey (BEEPS) released in 1999. The survey compared 20 ex-communist states in Central- and East-

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<sup>54</sup> Kasym Isaev, ‘Vostok – delo tonkoe’ ili litso Kyrgyzskoi vlasti glazami ochevidtza, Bishkek: TAS, 2006.

<sup>55</sup> Mancur Olson, “Why the Transition from Communism is so Difficult,” *Eastern Economic Journal* 21 (4), 1995, pp. 437–61.

<sup>56</sup> Anders Åslund, “Economic Reform after the Revolution in the Kyrgyz Republic,” *Demokratizatsiya* 13, Fall 2005, pp. 474–75.

ern Europe and former Soviet Union, and Kyrgyzstan stood out negatively even in a comparative post-communist perspective. That the result seemed to come as a surprise to the authors of the report: "In ... countries that have been praised for early reform efforts, such as Kyrgyzstan and Moldova, businesses have given low ratings on both governance and the security of property rights."<sup>57</sup> The very high level of perceived corruption and lack of effective governance in the country was also confirmed by other cross-country studies by international organizations as well as suggested in locally prepared surveys.<sup>58</sup>

What it all really boils down to is the consequences of the absence of state building. Consider the following: there is a dramatic upheaval following the collapse of the old order, and a whole new set of rules and rights, including property and new forms of trade are introduced, but there are no effective state institutions regulating the new system. President Akaev described the situation in astonishingly frank words in his televised address on National Independence Day, August 31, 1993:

We are celebrating the Independence Day in hard times. Today we are not thinking about merriment. How to get food? How to heat our flats? How to provide children with clothes and shoes? How to live without fear? Many people ask: 'What has independence given us? Wouldn't we be better off without independence, but with food on the table?' ... I would like to clearly state my position on the goals of the economic reforms. They make sense insofar as they are man oriented and are doing some good to the people. But it is perfectly clear that what we have done and are doing is not enough to ensure a more or less tolerable life for the people. Education, public health, cultural institutions are in dire strait indeed. I fully realize how desperate the situa-

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<sup>57</sup> "EBRD-World Bank *Business Environment and Enterprise Performance Survey (BEEPS)*," 1999.

<sup>58</sup> For example, in Transparency International's Corruption Perceptions Index, which ranks countries in terms of the degree to which business people, the general public and country analysts perceive corruption to exist among public officials and politicians. Kyrgyzstan was included in the Index only in 1999, due to lack of reliable data, and ranked 87<sup>th</sup> out of 99 countries (Transparency International, *1999 Corruption Perceptions Index*, 1999). For a local survey, see E. Ilibezova et al, "Corruption in Kyrgyzstan," *Center of Public Opinion Surveys and Forecasts*, Bishkek: UNDP, 2000.

tion in the social sphere is, how poor our people are. Believe me, your pain is my pain.<sup>59</sup>

In his speech, Akaev went on by acknowledging that the “state cannot give more than it is giving,” and that turning to the international community and domestic organizations, such as trade unions and businesses, for support and aid were needed to bring the country out of the crisis.<sup>60</sup> In other words, the president admitted that the state was unable to provide basic social services.

Against this background, how do people respond to the need to protect themselves and to survive in times of great uncertainty? The answer is that when the state is absent, people turn to informal practices, they use their relatives and they negotiate. In other words, people revert to seeing the world in terms of very concrete and personalized networks rather than wider identities. In the absence of credible and enforced formal rules, negotiations and exchanges are facilitated with the help of the extraordinarily rapid infusion of money as a mechanism to resolve issues. Consequently, a whole informal system of protection and conflict resolution is created behind the toothless formal state framework.

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<sup>59</sup> Askar Akaev, “We have Ploughed the Field of our Common Life,” *Central Asia Today* 1, 1994, pp. 37, 40.

<sup>60</sup> *Ibid.*, pp. 40–41.



## The Rise of the Ruling Family

While Akaev initially appeared to have had a sincere democratic vision for Kyrgyzstan, and energetically launched the country as Central Asia's democratic alternative,<sup>61</sup> the authoritarian slide began in the latter part of the 1990s.<sup>62</sup> Following a referendum in 1996 that introduced extensive constitutional revisions, President Akaev consolidated his formal political powers at the expense of the parliament and the prime minister. Akaev motivated his increased presidential powers by arguing that:

... the country's president, having received the people's mandate, must be responsible for the country's state of affairs and for the results of reforms ... the one who is responsible must have the corresponding powers.<sup>63</sup>

He also compared his limited powers to those of the Queen of England, and complained that he lacked the powers necessary to reform the country.<sup>64</sup> Among the newly gained powers were the right to appoint regional authorities, the parliament's control functions in the economic sphere and other sectors were largely removed, the president gained the right to nominate the Prime Minister, the Attorney General, the Chairman of the National Bank, and he only needed the approval of the new lower house of the legislature, which mostly included local and regional elites appointed by the president. Although, the president was not formally considered the head of the state, the president and not the prime minister, nevertheless appointed the cabinet. The parliament had no role in approving ministers, it was only granted the

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<sup>61</sup> Askar Akaev, "Central Asia's Democratic Alternative," *Demokratizatsiya* 2 (1), 1994.

<sup>62</sup> See for example, Naryn Aiyp, "Kyrgyzstan: Askar Akaev's Diminishing Democracy," *Transitions Online*, October 1998, pp. 60-61.

<sup>63</sup> Quoted from Eugene Huskey, "Eurasian Semi-Presidentialism: The Development of Kyrgyzstan's Model of Government," unpublished manuscript, 2008.

<sup>64</sup> Bruce Pannier, "President Acquires more Power in Kyrgyzstan," *Transitions* 7 (2), February 1997.

power to approve the prime minister, who could be dismissed without parliamentary consent.<sup>65</sup>

While formal reforms undoubtedly bolstered Akaev's powers, they were less important than the informal ruling technique increasingly employed from the latter half of the 1990s. The key for understanding these developments was the interference in state affairs by President Akaev's closest family members, who increasingly came to approach the state as their private fiefdom. This produced a stark contrast to the first years of Akaev's rule when family-based nepotistic corruption did not appear to define political competition. As noted by a leading Kyrgyz journalist, "in the first few years he ruled the country democratically, and we did not hear about the interference of his family members."<sup>66</sup>

In the emergence of a family-run state, a major building block was informal control over the economy. Under these circumstances, state building was intimately connected to the interests of the members of the presidential family. The most notorious targets of criticism for absorbing state resources were the President's wife, son-in-law, and eldest son. The involvement of the First Lady, Mairam Akaeva, in the country's political and economic life was extensive. She set up the charity foundation Meerim under her exclusive control to help promote Kyrgyz welfare. Many local observers, however, believe that the foundation in reality fulfilled very different purposes and functioned as an independent power structure not accountable or accessible to the tax administration or any other state agencies. A substantial amount of goods and other flows such as humanitarian aid were reportedly imported to the country through the foundation, which not only administered the distribution of (and profits from) these goods but also enjoyed the privilege of not paying taxes.<sup>67</sup> The president's eldest son, Aidar Akaev, and his Kazakh son-in-law, Adil Toigonbaev, were heavily criticized for their interests in a wide

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<sup>65</sup> Naryn Aiyp, "With Overwhelming Voter Approval, Referendum Bolsters Executive Power," *Transition* 5, April 1996, pp. 59, 64.

<sup>66</sup> Cholpon Orozobekova quoted in Gulnoza Saidazimova, "Three Years on, Kyrgyz President Taken to Task for Rampant Nepotism," *RFE/RL*, July 10, 2008, available at [www.rferl.org/content/Three\\_Years\\_On\\_Kyrgyz\\_President\\_Taken\\_To\\_Task\\_For\\_Nepotism\\_/1182894.html](http://www.rferl.org/content/Three_Years_On_Kyrgyz_President_Taken_To_Task_For_Nepotism_/1182894.html).

<sup>67</sup> Jenishbek Nazaraliev, *Dvijenie mass ili stihiya tolpy*, Bishkek, 2006, pp. 10–11. This view was corroborated in a number of interviews with Kyrgyz experts and politicians.

range of lucrative economic activities.<sup>68</sup> Aidar's involvement stands out, and it has been reported how he, in the years before the "Tulip Revolution", used his leverage over law enforcement agencies to establish himself as a state racketeer.<sup>69</sup>

As President Akaev increasingly abandoned the idea of a free market in favor of a patrimonial approach to power and wealth, the police and other law enforcement organs were organized to protect the ruling family's interests. The leverage over law enforcement bodies was mainly used for two purposes – supporting and protecting the ruling family's steady absorption of economic resources and targeting potential political rivals. To start with the resource amassing purpose, according to an Akaev-era colonel in the security service, the presidential family destroyed the national law enforcement system and replaced it with a corrupt law enforcement clan. The highest leaders of law enforcement agencies were appointed by Akaev to protect the interests of the presidential family and its entourage. The administration of the National Security Service (former KGB) is a particular case in point. From the late 1990s, under Akaev protégés, the national security service turned into an amorphous body that duplicated the functions of the fiscal police in order to assist the presidential family's own ascription of resources.<sup>70</sup> Insecure property rights were part and parcel of the evolving system and law enforcement organs were sanctioned to raid businesses in order to force owners to sell, for otherwise their businesses would be confiscated. A similar story is found in the conventional revenue collecting bodies. According to Kyrgyz experts, high-ranking officials in the customs committee became particularly important financiers of the ruling family, known as so-called purses ("koshel'ki").<sup>71</sup>

High-level corruption became increasingly accepted by the political leadership as a method of control. Of course, the government now and then launched campaigns to remove corrupt officials. For example, in 1996, the minister of finance, the first deputy minister of finance, the first deputy mi-

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<sup>68</sup> See for example, *Financial Times*, July 22, 2002.

<sup>69</sup> Åslund, "Economic Reform after the Revolution in the Kyrgyz Republic," p. 477.

<sup>70</sup> *Litsa*, May 17, 2007.

<sup>71</sup> Alexander Kapatadze, "Organized Crime Before and After the Tulip Revolution: the Changing Dynamics of Upperworld-Underworld Networks," *Central Asian Survey* 27 (3), 2008, p. 287.

nister of defense, the head of the tax inspection and the management of the State Property Committee were dismissed on corruption charges.<sup>72</sup> In 1999, three members of parliament were charged with corruption offenses. However, the paradox of these anti-corruption campaigns was that in reality they fulfilled different purposes. By applying them selectively to target potential rivals, they were more than anything else tools for power consolidation and created the basis for further corruption.<sup>73</sup> This is hardly surprising if one considers the fact that corruption control is the exclusive task of law enforcement agencies, frequently ranked as the most corrupt in the country. Indeed, in a political system where virtually any high level official is liable to be brought down on corruption charges, anti-corruption campaigns are efficient methods to redistribute power and wealth. The disingenuous nature of the fight against corruption was communicated by a high-level government official: "Some government officials were removed on corruption charges, but then they simply reappeared in another part of the government."<sup>74</sup>

As long as Akaev remained in power, it was obviously difficult to estimate the extent to which the presidential family influenced the economy. However, the situation became clearer after the Tulip Revolution, when a commission compiled a list of first 42 businesses and later 178 businesses reputedly owned or partially controlled by the Akaev group.<sup>75</sup> The three potentially largest sources of state revenues – gold, hydroelectricity and foreign aid – all became major sources of corruption under Akaev.

The single most important natural resource in Kyrgyzstan is gold. The main site is the Kumtor gold mine that started operating in 1997 with the help of a \$450 million investment by the Canadian company Cameco. Since then, the country's economy has largely been dependent on the output from this gold mine, one of the world's ten largest. In 2006, Kumtor accounted for 40 percent of the country's exports, 6–7 percent of GDP and almost 10 percent of

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<sup>72</sup> Askar Akaev, *Pamyatnoe desyatiletie*, p. 257.

<sup>73</sup> Talaibek Koichumanov, Joomart Otorbaev and S. Frederick Starr, "Kyrgyzstan: The Path Forward," *Silk Road Paper*, Washington, D.C.: Central Asia-Caucasus Institute – Silk Road Studies Program, November 2005, p. 18.

<sup>74</sup> Author's interview with high-level government official, Bishkek, May 2006.

<sup>75</sup> Daniel Kimmage, "Follow the Money – The Akaev Investigation," *RFE/RL*, May 4, 2005, available at [www.eurasianet.org/departments/business/articles/pp050505.shtml](http://www.eurasianet.org/departments/business/articles/pp050505.shtml)

the country's budget.<sup>76</sup> Under the original joint venture, the Kyrgyz government held two-thirds of the stakes through the state gold company Kyrgyzaltyn. In 2004, however, the Akaev regime overruled the parliament and signed a decree that allowed for reorganization of the initial contract. In the new venture, the state's share was cut substantially. The new deal was fiercely criticized by the opposition in the parliament who complained about lack of transparency, corruption and failure to consider the state's interest.<sup>77</sup>

The second major potential source of state revenue – the hydroelectricity sector – became a similar target of corruption and redistribution of wealth. The state energy company, Kyrgyzenergo, was notorious for its inability to provide the state with considerable revenues. During Soviet times, and in the early years of independence, Kyrgyzenergo functioned as a single entity. By 2001, the company was divided into eight separate companies, including a generating company, the national grid and a handful of regional distribution companies, yet all of them remained state-owned. Corrupt schemes dominated, and several sources reported that the hydroelectricity sector had been constructed to sock away money rather than being able to collect direct cash payments. As one observed:

... the electricity system is only collecting money for about half of its sales, amounting to several percent of GDP. The common verdict is that collection from the population and enterprises is not the main problem, while theft in the state-owned distribution companies is. The losses are orchestrated by insiders through a complex system of netting out, barter and other non-monetary payments.<sup>78</sup>

A third major source of rents has been international financial flows. In the 1990s, Akaev's government mainly benefited from multilateral and bilateral aid. Following 9/11 and the subsequent war on terror, in which Kyrgyzstan

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<sup>76</sup> "Kyrgyz Restless Industry," *Vedomosti*, May 16, 2006.

<sup>77</sup> "Gold Mine Reorganization in Kyrgyzstan Spurs Political Controversy," *Eurasianet*, July 19, 2004, available at [www.eurasianet.org/departments/business/articles/eavo72004.shtml](http://www.eurasianet.org/departments/business/articles/eavo72004.shtml)

<sup>78</sup> Anders Åslund, "The Kyrgyz Republic Reinforce Economic Growth through Lower Taxes and Better Governance," *UNDP Report*, June 17, 2004, available at [www.carnegieendowment.org/publications/index.cfm?fa=view&id=1564](http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=1564)

became a strategic partner to the U.S. government by hosting an airbase at the Manas International Airport outside of Bishkek, the nature of foreign rents changed. Rather than falling into the hands of a wider layer of government officials, rents for the airbase as well as rents from logistics and supply contracts became concentrated to a few private Kyrgyz entities tied to the Akaev family. As Alexander Cooley describes:

Manas International Airport, legally operated as an independent company partly owned by Aidar Akaev, the President's son, collected \$2 million annually in lease payments plus additional landing fees of \$7,000 per take-off, calculated in accordance with civil aviation standards. ... These revenues directly flowed to Manas Airport and were neither accounted for nor taxed by the Kyrgyz government. But the most lucrative source of base-related payments were fuel contracts, secured by the airport-run Manas International Services Ltd. and Aalam Services Ltd., another legally independent fuel company owned by Adil Toigonbaev, Akaev's son-in-law.<sup>79</sup>

Whereas the narrow ruling coalition headed by the Akaev family and its closest clients were largely sustained by controlling and redistributing the profits made from a few financial sources, such as mining, hydropower electricity and foreign rents, this political economy nevertheless complicated sound economic policymaking, including broadening the tax base.

### The Sale of Offices

If in the first years of independence, the economic assets of the state were most important, the late 1990s and early 2000s saw the state's administrative and political resources becoming the crucial source of power and wealth. Indeed, as will be demonstrated below, the state and in particular high-level positions was driven by a logic that in its main features resembles a marketplace. Holding office increasingly became synonymous with informal monetary payments organized by the ruling family. Akaev's wife is alleged to have supervised the selling of government posts, with ministerial posts being the most expensive. After the Tulip Revolution, documents were found with reg-

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<sup>79</sup> Alexander Cooley, "U.S. Bases and Democratization in Central Asia," *Orbis* 52 (1), 2008, pp. 74-75.

isters of payments from high-level officials and businessmen to the presidential family.<sup>80</sup> In author interviews, the selling of high-level political positions from the mid-1990s was addressed by several informants as a practice “known to everyone.” The following quote recalls the personal experiences of a former high-level official in the presidential administration:

During the first years of independence, I worked directly under President Akaev in charge of law enforcement issues in the presidential administration. My exit in 1995 was mainly due to the fact that this was the point of time when high-level positions started to cost money, and I did not want to pay for my position.<sup>81</sup>

These practices started to penetrate most state-controlled spheres. A former Rector of one of the country’s biggest universities described the evolution in following terms:

The sale of offices started in the mid-1990s, and by the end of the 1990s it had become a common practice. Top positions in the central and local governments, and in the tax inspectorate, the police and the customs service were based on monetary payments. Already in 1994, when I was rector in a university, I was approached by a lady close to Mairam [Akaeva] who told me that I should make a contribution of 300,000 soms to the president’s family. This was really a lot of money at that time. I did not answer her yes or no, I just walked out of the room.<sup>82</sup>

A top level official noted that this practice brought about fundamental changes in the administrative organization of the state:

In the beginning of Akaev’s presidency ... in power were mostly officials from the old Soviet party apparatus ... only later when they [authorities] realized that the trade with offices is lucrative and that it was possible to put their own people anywhere with impunity, then all this started happening. It became evident during the second half of the 1990s. The old Soviet

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<sup>80</sup> *Akipress*, April 21, 2005.

<sup>81</sup> Author’s interview with former high level official in the presidential administration, Bishkek, May 2007.

<sup>82</sup> Author’s interview with former Rector of a Kyrgyz University, October 2010.

generation at the mid-level management began to leave due to retirement age or inability to cope with the new reality and they [authorities] began to replace people not based on seniority but on personal connections and money.<sup>83</sup>

Another former official elaborated upon the role of the presidential family in administering the informal pay list:

This system escalated. During Akaev's last five years, all candidates to ministries as well as heads of regions were monitored and vetted by the president's wife and children. Especially the wife got the nickname 'otdel kadrov' [department of cadres]. There were clear procedures. Those who wanted to resolve problems with positions had to resolve them with her. The price of an appointment to a high level position was from US\$ 100,000 to US\$ 250,000. Positions in all ministries were sold to people who wanted to pay for them. Professional skills did not matter; staffing was based on what they paid.<sup>84</sup>

That this method was turning into an integral part of the system was likewise indicated back in 1999, when the Prime Minister at the time, the late Jumabek Ibraimov, admitted that "High-ranking posts in the Government had been sold." He further said that he was under constant pressure to accept bribes in exchange for placing relatives and friends in official posts.<sup>85</sup> The market was insecure, however, since the frequent rotation of personnel at the highest level as well as on lower levels gave incentives for individuals to benefit from their positions as quickly as possible by graft. Moreover, as a scholar notes, "the use of payments in exchange for official positions" contributed to the increasingly unfavorable private business sector environment during Akaev's latter years.<sup>86</sup>

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<sup>83</sup> Author's interview with former Deputy Minister, February 2011.

<sup>84</sup> Author's interview former high level official in the Ministry of Internal Affairs, Bishkek, May 2007.

<sup>85</sup> *RFE/RL Newline* 3 (27), February 1999, available at [www.friends-partners.org/friends/news/omri/1999/02/990209I.html](http://www.friends-partners.org/friends/news/omri/1999/02/990209I.html)

<sup>86</sup> Pauline Jones Luong, "Political Obstacles to Economic Reform in Uzbekistan, the Kyrgyz Republic, and Tajikistan: Strategies for Moving Ahead," in Clinton R. Shiells and Sarosh Sattar (eds.), *The Low-Income Countries of the Commonwealth of Independent States: Progress and Challenges in Transition*, Washington, D.C.: International Monetary Fund and World Bank, 2004, p. 231.



In brief, political-administrative resources became important not only for access to all types of capital in Kyrgyzstan, but also the state itself increasingly turned into a market; a resource offering profits. In this sense, it is plausible to speak of a spoils system of politics, including both recruitment processes and the very purpose of political office. The sale of office had complementary purposes since it guaranteed both control over politics and administration as well as ensured a steady source of financial revenue for the ruling family. The developments in Kyrgyzstan illustrate a principal distinction between the widespread theft of the early transition years when valuable economic assets of the state were privatized for very low prices to well-connected individuals, and the later period, in which the use of the state apparatus as a source of legitimacy for private interests became the norm.

### **Reconfiguration of Influence Groups**

For elite competition, there were two major effects of the evolving family rule based on controlling the legal economy and approaching the state as a personal fiefdom – the defeat of the independent business elite and the rise of organized crime leaders as major political actors. Since the presidential family increasingly took control over legal businesses through various methods, the independent business elite that showed signs of developing in tandem with the introduction of market mechanisms in the first years of independence was defeated. The opinions of some officials at the highest level of power under Akaev are instructive. First, a minister reflected:

In the first 4–5 years Akaev was going in the right direction. But in the second half of the 1990s the influence of his family got stronger, and from 1998 he dropped the idea of democracy ... The Akaev family gradually took control over the economy and corruption. This control was a terrible mistake, a disastrous way of destroying national businesses. The independent business elite that showed signs of developing strongly in the first years of Akaev's rule were defeated and had to go into politics to protect themselves against the political leadership.<sup>87</sup>

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<sup>87</sup> Author's interview with Muratbek Imanaliev, former Minister of Foreign Affairs, Bishkek, May 2007.

Another former Akaev minister argued that, “businessmen who paid the full amount of taxes were outcompeted since they could not compete on the market with companies who had access to political decision-makers.”<sup>88</sup> Finally, a minister in the post-Akaev government who also held high-level positions under Akaev noted that: “independent businesses did not have to be particularly big in order for the Akaev family to try to control them. Even successful restaurants and shops were targeted”<sup>89</sup> According to a businessman, “if your business is more than \$1 million, you immediately get attention [from the authorities].”<sup>90</sup>

These perceptions from high-level officials resonate with Anders Åslund’s observation in 2003:

A trend in the CIS countries has been that big enterprises tend to become ever stronger and utilize state power to their benefit. Strangely, in Kyrgyzstan the opposite appears to be happening. Small enterprises have received more public policy attention than in any other CIS country, and they are thriving, while large enterprises appear to pay ever more progressive taxes the more successful they are, and are often broken by an excessive both formal and informal tax burden. ... Kyrgyzstan’s key governance problem is, untypically, its defense of big private enterprises.<sup>91</sup>

A consequence of this ruling technique, manifested by various informal sanctions imposed from above, like the imposition of excessive tax burdens, raids or other threats, larger businesses could hardly survive without access to the state and decision-makers. This lends evidence to a description of state capture in Kyrgyzstan as initiated by the political leadership itself rather than powerful private businesses. As a result, large enterprises increasingly gravitated back towards the state. This represented a marked change to the first years of independence when early reforms stimulated the accumulation of wealth relatively independently from the state.

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<sup>88</sup> Author’s interview with former Minister, Bishkek, May 2006.

<sup>89</sup> Author’s interview with Akylbek Japarov, Minister of Economic Development and Trade, Bishkek, August 2008.

<sup>90</sup> Quoted in International Crisis Group, “Political Transition in Kyrgyzstan,” p. 11.

<sup>91</sup> Anders Åslund, “The Kyrgyz Republic: Improve Governance and Expand Exports,” *UNDP Report*, May 2003, available at [www.carnegieendowment.org/publications/index.cfm?fa=view&id=1281](http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=1281)

The merger of political office and business interests in Kyrgyzstan is further revealed from the list of the country's 100 wealthiest persons as reported by the Central Asian newspaper *Ferghana* in 2002. While this list by no means represents an exact assessment, it still indicates the monopoly on wealth and power held by this new type of "politician-businessmen." A closer look demonstrates that about 80 percent of the individuals in the list either hold or had held political offices, such as members of parliament, ministry posts, or other profitable state-connected positions such as heads of state-owned companies, rectors of universities and directors of medical establishments. A handful led smaller political parties or had unsuccessfully candidated for the legislature. Of the remaining individuals, a handful was promoted to top-level government positions after the fall of the Akaev regime, including ministerial posts. The individuals on the list who were independent businessmen with no obvious or direct ties to the state or politics were approximately in single digits.<sup>92</sup>

Under these conditions, the distinction between the shadow economy and political power decisively blurred. Powerful politico-economic magnates were often granted tax privileges, and the right to profit from budgetary resources in exchange for political loyalty, bribes and economic services. Securing special access to the state translated into an advantage against competitors. The shadow economy, i.e. economic activity not formally regulated or taxed by state agencies, steadily expanded during the Akaev administration.<sup>93</sup>

The presidential family's efforts to control the economy crystallized a first major elite group, consisting of politico-economic magnates. This elite group combined large business holdings with political power. The Akaev family granted control over lucrative economic sectors, and increasingly important political positions to politico-economic magnates competing for corrupt revenues. In this game of influence, the key element appears to have been Akaev's ability to act as the last arbiter by playing competing groups against each other. As the International Crisis Group reported,

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<sup>92</sup> Author estimates based on "100 samykh bogatykh lyudei Kyrgyzstana 2002 goda," *Ferghana.Ru*, October 26, 2002, available at [www.ferghana.ru/article.php?id=1004](http://www.ferghana.ru/article.php?id=1004)

<sup>93</sup> See UNDP, *The Shadow Economy in the Kyrgyz Republic: Trends, Estimates and Policy Options*, Bishkek: UNDP, 2006.

This regime – with its sometimes competing, sometimes cooperating groupings, partly based on clan affiliation, partly on common economic or political interests – has little core to it, except for the president himself. ... Each fights for selfish interests and feels little compunction in competing against rivals. Akaev cleverly uses this rivalry against them all.<sup>94</sup>

As indicated by this quote, money was but one layer in this system, an additional informal layer was personal ties and networks. The fact that influence groups representing southern elites were increasingly excluded from the power system<sup>95</sup> clearly suggests that money alone was not enough. Indeed, power positions were increasingly distributed among elites from the North of the country. The importance of personal contacts based on regional origin, kinship or friendship for high-level positions complemented the monetary aspect. Positions were clearly not sold in an open auction market, in which only the highest bid mattered: loyalty ties were necessary. In this sense, it was a highly personalized market since parochial ties to the ruling family were a precondition. As a former advisor to President Akaev noted, “The practice of selling posts never went as far as being independent of personal contacts. ... It was never an option to appoint an Uzbek to a ministerial post.”<sup>96</sup>

The major power figures under Akaev’s last years had their regional origin in the northern parts of the country. The most notable figures included Bolot Januzakov, Deputy Head of the Presidential Administration; Temirbek Akmataliyev, Minister of Finance and Minister of Emergency; Cholpon Baekova, Chairman of the Constitutional Court; Misir Ashyrkulov, Head of the Presidential Administration and later Minister of National Security (all from the Chui region); Askar Aitmatov, Minister of Foreign Affairs; Toichubek Karymov, Head of the Presidential Administration; and Kemelbek Nanaev,

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<sup>94</sup> International Crisis Group, “Political Transition in Kyrgyzstan,” p. 10.

<sup>95</sup> UNDP, Central Asia Human Development Report, *Bringing Down Barriers: Regional Cooperation for Human Development and Human Security*, Bratislava: UNDP, 2005, p. 174.

<sup>96</sup> Author’s interview with former advisor to President Akaev, Washington, D.C., September 2010.

Deputy Prime Minister (all from the Talas region).<sup>97</sup> An additional influential player worth mentioning is the former Head of the Customs Service as well as short-term Chairman of the State Property Fund, Tashkul Kereksizov from the Issyk-kul region who is believed to have played an important role in organizing government appointments, and, according to several informants, is one of the wealthiest men in the country.<sup>98</sup> One family that appeared to be increasingly out of favor, however, was the Sarygulov family from Talas, whose economic and political influence had been unprecedented in the 1990s. The exclusivist policies significantly narrowed Akaev's support basis; gradually represented by a few people in the ministries, the presidential administration, regional heads and loyalists in the parliament reaping benefits from his rule.

Since access to the state equaled access to resources, Akaev's gradual distancing from the wider network he managed in the early 1990s led to strong resentment among excluded elite interests. As a country already riddled by strong intra-ethnic, regional and clan divisions, this ruling technique did little to keep antagonism between competing elites in check:

In the early 2000s, after winning a third presidential term, not only did Akaev's former supporters turn into his fervent opponents, but it became easier to identify the limited fraction of political and business elites who still supported him, rather than naming his opposition, constituted by a much larger group.<sup>99</sup>

In sum, the real change in the late 1990s early 2000s was that the positive effects of Akaev's early reform initiatives that stimulated the growth of independent businesses were reversed under the informal interference of his family. Access to the state became contingent on money and personal loyalty to

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<sup>97</sup> For an overview, see "Politicheskaiia Elita Sovremennogo Kyrgyzstana," *Gazeta.kg*, May 5, 2002, available at [www.peoples-rights.info/2010/09/politicheskaya-elita-sovremennogo-kyrgyzstana/](http://www.peoples-rights.info/2010/09/politicheskaya-elita-sovremennogo-kyrgyzstana/)

<sup>98</sup> Author's interviews with official in the presidential administration, Issyk-kul, July 2008, former member of Kyrgyz Parliament, October 2010.

<sup>99</sup> Erica Marat, "The State-Crime Nexus in Kyrgyzstan and Tajikistan: Organized Crime, Drug Trafficking, and the Rise of the Mafia in the Post-Soviet Period", *Silk Road Paper*, Washington, DC.: Central Asia-Caucasus Institute & Silk Road Studies Program, July 2006, p. 69.

the ruling family. Indeed, as a Kyrgyz politician notes, “the more they paid, the more loyal they were perceived to be.”<sup>100</sup> As a consequence of the unequal access to the state, powerful elites were sidelined. The ruling family started approaching the state as its personal fiefdom. Clients were tied to the lord on the basis of personal contacts and informal monetary exchange with little or no accountability to the general public. A symbiosis emerged between politics and economy; economic success became dependent on access to the administrative and political resources rather than the state’s economic assets. Mutual economic interests also increasingly defined the nature of elite influence groups in the country.

### The Evolution of Organized Crime Families

The presidential family’s ruling technique based on controlling large and medium-size economic entities and neutralizing independent businessmen also produced an unintended consequence: involvement in organized crime became the major way to independently rival the presidential family’s economic power base. While the Akaev family could manipulate legal business through various informal sanctions imposed by law enforcement organs, the criminal economy, like illicit trafficking in drugs, humans and arms, fell outside of its control.<sup>101</sup>

It was noted above that the 1990s generally was a decade of unorganized crime. How then did organized crime expand in Kyrgyzstan? First, it is important to provide a brief background on the evolution of crime since the fall of the Soviet Union. In the general disorder following the break-up of the old Soviet system, Kyrgyzstan, like other states that undertook rapid economic reforms, initially saw a very sharp increase in the crime rate. For example, in 1992, 43,900 crimes were registered, representing a 129 percent increase compared to 1988.<sup>102</sup> In this context of unorganized individual crime, two forms

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<sup>100</sup> Author’s interview with former member of parliament, October 2010.

<sup>101</sup> Erica Marat, “Impact of Drug Trade and Organized Crime on State Functioning in Kyrgyzstan and Tajikistan,” *China and Eurasia Forum Quarterly* 4 (1), February 2006, pp. 98–99.

<sup>102</sup> Inga B. Mikhailovskaya, “Crime and Statistics: Do the Figures Reflect the Real Situation?” *Demokratizatsiya* 2 (3), 1994, pp. 412–25. In a comparative post-Soviet perspective, official crime data reported the steepest increase in Kyrgyzstan, with the

of protection rackets – governmental and private/criminal – quickly emerged, and established as a de facto tax on private sector activity.

The private, or criminal, racket appeared in the beginning of the transition period in the form of small-scale criminal groups extorting money from businesspeople for protection. Like in many other post-Soviet states, the athletic community came to constitute the backbone in the formation of criminal groups in contemporary Kyrgyzstan. According to a Kyrgyz criminologist, the groups of criminal-sportsmen that formed in the early 1990s consisted of former and active athletes, mainly fighters, wrestlers and boxers that were engaged in racketeering and fraud.<sup>103</sup> Indeed, many of the gangs that later came to expand into criminal syndicates originated in the business of launching criminal rackets in the privatized economy.<sup>104</sup> To give three of the most prominent examples: First, the Karabalta group based outside of Bishkek in the North, led by former wrestler Almaz Bokushev, was active in launching rackets against enterprises that were engaged in wholesale trade of wheat flour, sugar and spirits in the early 1990s. In 1996, several members of the group were arrested on charges of rackets of large scale enterprises, convicted and sentenced to prison but released on unknown grounds. A second example is the country's major criminal authority until his assassination in May 2006, Ryspek Akmatbaev. Initially Ryspek started by running protection rackets around his native Issyk-Kul region in the North, only to gradually expand his racketeering to Bishkek and parts of southern Kyrgyzstan. According to a police source, "Ryspek had already in the early 1990s recruited a strong gang of boxers, wrestlers and martial sports."<sup>105</sup> A third major figure, martial sports champion Bayaman Erkinbaev, likewise started his career in the early 1990s as racketeer and leader of a criminal organization comprised of

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number of registered crimes in 1992 standing at more than double the figure reported in 1988.

<sup>103</sup> Kairat Osmonaliev, *Ugolovnaya politika Kyrgyzstana: voprosy teorii i praktiki*, Moscow: Institute of Legal and Comparative Studies, 2005.

<sup>104</sup> Alexander Kupatadze, "Criminal Networks in Georgia and Kyrgyzstan and Young Male Sportsmen," Paper presented at International Workshop on Political Violence, Organized Crime, Terrorism, and Youth, Hacettepe University, Ankara, Turkey, September 13–14, 2007, p. 13.

<sup>105</sup> Author's interview with police officer from department for combating organized crime in the Ministry of Internal Affairs, Bishkek, May 2007.

sportsmen from the south of the country. From 1995 until his assassination in September 2005, he was a member of the Kyrgyz national Parliament.

A Kyrgyz police source argued that, “racketeering by criminal groups was particularly strong in Kyrgyzstan in the beginning of independence, but largely uncoordinated.”<sup>106</sup> The disorganized supply of protection is further suggested when compared with the situation in Russia, for example, where the dominance of organized crime groups in the early and mid 1990s defined the logic of protection and the state played a very small role in it.<sup>107</sup> Organized crime groups in Kyrgyzstan never managed to expand and consolidate on a similar level in the 1990s. In 1998, the level of reported offences related to organized crime was forty-times lower than the percentage in Russia during the same period.<sup>108</sup> One of the reasons why organized crime did not take over during this period, as in Russia, has been linked to the lack of bureaucratic reform in Kyrgyzstan during the 1990s.<sup>109</sup> Contrary to Russia, where a huge cadre of officials was vacated and either joined criminal groups or were recruited by private protection services, Kyrgyz policemen and other officials largely remained part of an extensive state apparatus. However, it would be misleading to interpret the surface of an intact law enforcement system as a sign of law and order, since it came at the price of one of the most corrupt and extortive state bureaucracies in the former Soviet Union. Kyrgyzstan appeared stuck in a phase of unorganized crime.

A law enforcement officer specializing in combating organized crime described the change in the nature of criminality in following terms:

The expansion and strengthening of organized crime groups became noticeable in Kyrgyzstan in the late 1990s and early 2000s. Groups expanded in larger units and increasingly turned to especially the drug trade from Afghanistan,

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<sup>106</sup> Author’s interview with former police officer, Bishkek, May 2007.

<sup>107</sup> See for example Vadim Volkov, *Violent Entrepreneurs: The Use of Force in the Making of Russian Capitalism*, Ithaca: Cornell University Press, 2002.

<sup>108</sup> Osmonaliev, *Ugolovnaya politika Kyrgyzstana*, p. 55. Another commentator said that Kyrgyzstan lagged ten years behind Russia in terms of criminal development, suggesting that the developments in the early- and mid-2000s resembled the situation in Russia in the early- and mid-1990s (quoted in Cornelius Graubner, “Kyrgyzstan: Mapping the Shadow State: The Informal Political Economy of Kyrgyzstan before the ‘Tulip Revolution’,” *Field Research Report*, Berlin, December 2005, p. 15).

<sup>109</sup> Abazov, “Policy of Economic Transition in Kyrgyzstan,” p. 217.



but also other highly profitable smuggling activities to complement and expand on their initial racketeering functions.<sup>110</sup>

Of all the drugs originating in Afghanistan, experts estimate that about 15–20 percent is smuggled through Kyrgyzstan. Moreover, of all the drugs transiting Kyrgyz territory, only an estimated 1–3 percent is confiscated.<sup>111</sup>

Organized crime did not strengthen exclusively due to expanded illegal activities, but combined this with political clout. As a Police General noted:

... sportsmen in the 1990s formed their own gangs which later developed into criminal syndicates that increasingly wanted to legalize their businesses and appear legitimate. They tried to get involved in politics since it brings them [criminals] closer to decision-makers that can protect them [the criminals].<sup>112</sup>

The parliament appears to have been the major political arena through which this process was engineered. After Akaev successfully orchestrated the dissolution of the Soviet-elected first parliament, which had been a particularly strong source of constraints on presidential power in the first years of independence, a new much smaller, and fundamentally differently constituted, legislative assembly was elected in 1995. At the time of its inauguration, only six of the deputies had previous parliamentary experience. Rather than Soviet-trained deputies, the dominant faction in the new parliament was the emerging post-Soviet class of deputy-businessmen. It has been reported that following the 1995 parliamentary elections, nearly 30 percent of the new deputies were being investigated by the State Prosecutor's Office for illegal financial activities. Already in 1995, a Western analyst noted that parliamentary immunity from further investigation and criminal prosecution provided corrupt businessmen and criminal figures incentives to seek election to the legis-

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<sup>110</sup> Author interview with police officer from the department for combating organized crime in the Ministry of Internal Affairs, Bishkek, February 2007.

<sup>111</sup> UNDP, *The Shadow Economy in the Kyrgyz Republic*, p. 10.

<sup>112</sup> Author's interview with high level official in Ministry of Internal Affairs, Bishkek, February 2007.

lature.<sup>113</sup> Huskey noted the negative changes brought about by the 1995 elections:

If the 1995 parliamentary elections represent a defining moment, it is not in the consolidation of democracy, but in the criminalization and regionalization of politics in Kyrgyzstan. The entry of large numbers of corrupt businessmen into the legislature was certain to complicate attempts by Akaev to clean out his administration and to make less likely elite adherence to democratic rules and procedures. To insure its sway over the distribution of such products as tobacco, alcohol, petroleum, and opium, 'the mafia' already participates in the political process inside the country.<sup>114</sup>

In the subsequent elections in 2000 and 2005 respectively, the influence of criminal interests over the parliament consolidated. Informants vary in their estimations, but according to some experts at least a handful, perhaps up to a dozen of the 75 members of the parliament elected in 2005 had connections with organized crime, either as direct leaders of organized crime groups, or by providing *krysha*<sup>115</sup> ("roof") for the interests of organized crime.<sup>116</sup>

Representing the most high-profile criminal authorities in Kyrgyzstan during Akaev's rule, the cases of Ryspek Akmatbaev and Bayaman Erkinbaev are instructive for understanding how criminals increasingly cultivated legitimate public images. Both men built their authority during Akaev's reign by exploiting the state's weakness outside Bishkek, in particular the state's failure to deliver basic public goods for the population, and by establishing themselves as informal leaders, initially based on protection rackets in their home regions Issyk-Kul and Osh respectively. Later they expanded to become the owner of a large bazaar and a major player in the drug trade (Erkin-

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<sup>113</sup> Ian Pryde, "Kyrgyzstan's Slow Progress to Reform," *The World Today*, June 1995, p. 115.

<sup>114</sup> Huskey, "Kyrgyzstan: The Fate of Political Liberalization," p. 265.

<sup>115</sup> The Russian term *krysha* is derived from the criminal world, and is regularly used among local observers to refer to protection from the state or competitors.

<sup>116</sup> All in all, after the Tulip revolution five lawmakers, all reputedly linked to organized crime, were assassinated.

baev) and organizer of protection rings of profitable businesses in Bishkek (Akmatbaev).<sup>117</sup>

Both of them looked after the interests of the local population by providing some basic welfare and infrastructural services, such as roads and electricity, as well as by building mosques, invoking, as Alexander Kupatadze notes, some of the features of Eric Hobsbawm's classical social bandit.<sup>118</sup> In these local strongholds, even government officials noted that people perceived them not as criminals but as Robin Hood-style figures. In 2006, the country's deputy Ombudsman put it bluntly: "They were doing the things the government should do."<sup>119</sup>

By building up illegal businesses outside the writ of the state, in particular by exploiting the state's inability to maintain territorial control, criminal authorities managed to build a locally defined support base by allocating at least some resources at the local level when the state was not. From functioning as a state substitute in the periphery, their authority gradually expanded to become part of the central state power, mainly the national legislature. Erkinbaev had been a member of the parliament since 1995 and Akmatbaev was elected to the national legislature to fill the vacant seat left by his brother after Akaev's fall from power in the spring of 2006, although he was killed before taking up the position.

The assistant to the minister of internal affairs referred to another organized crime authority, Sanjarbek Kadyraliev, leader of one of the most influential organized crime groups in Osh, as well as a long-time practitioner of the martial arts sport "boxing without rules" and member of the national parliament from 2005 until his assassination in March 2009, to illustrate how parliamentary posts transformed the status of one of the country's known-criminal authorities:

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<sup>117</sup> See Johan Engvall, "Kyrgyzstan: Anatomy of a State," *Problems of Post-Communism* 54 (4), 2007.

<sup>118</sup> Kupatadze, "Organized Crime Before and After the Tulip Revolution," p. 290. Also see Svante Cornell, "The Narcotics Threat in Greater Central Asia: From Crime-Terror Nexus to State Infiltration?," *The China and Eurasia Forum Quarterly* 4 (81), 2006, pp. 37-67.

<sup>119</sup> Author's interview with Deputy Ombudsman of Kyrgyz Republic, Bishkek, February 2006.

He [Kadyraliev] was registered by the police as official leader of organized crime in Osh. Then he became a member of parliament [2005] acquired immunity and had to be removed from the list of wanted criminals. His younger brother is still an open criminal who tries to control organized crime, including racketeering bazaar traders, in Osh.<sup>120</sup>

Anthropologist Boris Petric has noted how the parliament developed into an increasingly powerful branch of the government.<sup>121</sup> However, the parliament's political power became less connected to its legislative duties than its mutation into an extralegal state body for protecting legally questionable or plainly illegal transactions.<sup>122</sup> Regine Spector identifies four mechanisms through which parliamentarians/businessmen operate on the legislative arena, of which only one, direct influence over lawmaking, actually corresponds to what is ascribed to the legislature. The other three – the use of immunity from prosecution, networking and vote-trading, and information-gathering – help protecting property rights for special interests through non-legislative means.<sup>123</sup> As a result, the parliament became more of a market, or perhaps a business club for status and power for narrow private interests, than a conventional national legislature. According to a local political scientist, “in the late Akaev era a seat in the parliament started serving as one of the most powerful tools for protection against tax authorities, the financial police and even the political leadership.”<sup>124</sup>

Under these conditions, the ruling family was forced to consider the growing influence of organized crime, and on the whole managed to stay on top by playing various criminal authorities against each other without directly controlling the criminal economy. Moreover, the ruling family enjoyed a comparative advantage against criminal syndicates, as it was controlling the most

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<sup>120</sup> Author's interviews with assistant to the Minister of Internal Affairs, Bishkek, May 2007 and July 2008.

<sup>121</sup> Boris-mathieu Pétric, “Post-Soviet Kyrgyzstan or the Birth of a Globalized Protectorate,” *Central Asian Survey* 24 (3), 2005, pp. 323–25.

<sup>122</sup> Cf. Diego Gambetta, *The Sicilian Mafia: The Business of Private Protection*, Cambridge: Harvard University Press, 1993.

<sup>123</sup> Regine A. Spector, “Securing Property in Contemporary Kyrgyzstan,” *Post-Soviet Affairs* 24 (2), 2008, p. 165.

<sup>124</sup> Author's interview with Kyrgyz political scientist, Bishkek, May 2008.

profitable sectors of the legal economy as well as the official law enforcement organs.

In sum, the late 1990s and early 21<sup>st</sup> century witnessed a period of transformation from unorganized predatory crime to organized crime, which increasingly became an alternative route for economic and political influence and power. Groups expanded in size, increased their level of coordination and turned to the drug trade and other lucrative illegal markets. The racketeering business also became larger in scale by groups moving beyond their local basis to wider territorial areas as well as more sectors of the economy. Moreover, criminal authorities increasingly developed an informal partnership with state authorities. Protection for criminal activities was sought within the state, the mutation of the parliament into an arena for legalizing and protecting private property being perhaps the most obvious example. The situation resembled a “knife-edge” equilibrium where neither the official nor the unofficial sphere could consolidate.

### **Nepotism, Family Business and the Tulip Revolution**

The consolidation of major industries and political appointments in the hands of the presidential family, and the attempt to monopolize corruption at the expense of several other powerful elite interests were significant sources of discontent and played no small part in Akaev’s downfall in the so-called Tulip Revolution of March 2005. A high-level official expressed the feelings prevalent in Kyrgyz society:

Akaev’s main problem was that he was stealing from his people. His family headed this corrupt business. Different businessmen were connected to Akaev’s network of people. Different companies were subsumed under the control of Akaev’s family and their friends, including the Manas airport, natural resources, media and communications.<sup>125</sup>

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<sup>125</sup> Author’s interview with Deputy Ombudsman of the Kyrgyz Republic, Bishkek, February 2006.

The family's attempt to control the profitable sectors of the state and the economy created deep resentment among elites that had lost their businesses through attacks sanctioned by members of the presidential family or were prevented access to sectors reserved for the presidential family and its closest entourage. As a result, Akaev alienated former allies and long-term oppositionists alike.

As the 2005 parliamentary elections approached, there were clear aspects of family involvement in virtually every sphere of politics and business. For example, the president's eldest daughter Bermet supervised the presidential party "Alga Kyrgyzstan" and ran for parliament as did her brother Aidar and a sister of the president's wife. Given that elite and popular dissatisfaction with the Akaev regime had already reached the boiling point, it all culminated after the fraudulent elections to the national legislature in February 2005. The commonly held perception, among excluded elites and the general population, that the Akaev family had absorbed all political power and economic wealth for private disposal and was preparing a dynastic succession of power to one of his children were considerable sources of indignation. Initially, protests erupted in different constituencies in the North in support of losing candidates, subsequently spreading to the politically excluded South where the bulk of the opposition to Akaev was concentrated, and finally reached the capital Bishkek, forcing Akaev and his family out of the country in what was dubbed the Tulip Revolution.

## Bakiev's Kleptocracy

### The Tulip Revolution and its Aftermath: Violent Elite Competition<sup>126</sup>

The Tulip Revolution brought Kurmanbek Bakiev to power. Bakiev inherited from Akaev a legacy of a state and economy increasingly captured by the personal interests of the presidential family. Although Bakiev belonged to the same Soviet-trained generation as Akaev, he represented a different background. In Soviet times he had held positions as factory manager and chairman of the city committee in his native home region of Jalal-Abad in the South. He later went on to become governor of Chui oblast in 1997 and Akaev's Prime Minister in 2001–2. He was reported to be one of the richest men in Kyrgyzstan in 2002.<sup>127</sup> According to one of the central actors in the opposition coalition that formed against Akaev in 2004, and promoted Bakiev as the leader of the opposition:

Bakiev was the only logical candidate. Why? First, he was from the South, and by far most supporters of the people's movement were from the South. Second, he had money. His background as former prime minister meant that he knew many rich people, and they were supporting him.<sup>128</sup>

The Tulip Revolution was initially seen as a genuine popular protest against the Akaev family's ruling practices, a formative moment when reforms could be introduced that would fundamentally alter the nature of the state as it had evolved during Akaev's last years. However, it soon became evident that the opposition now in power had been united by nothing but their common resentment of Akaev. The first years witnessed chaotic competition for power. Akaev's removal from power produced instability at the system level, following changes in the relative advantages among different competing elite interests. As a government official said in 2006:

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<sup>126</sup> This section draws heavily on Engvall, "Kyrgyzstan: Anatomy of a State."

<sup>127</sup> "100 samykh bogatykh lyudei Kyrgyzstana 2002 goda."

<sup>128</sup> Author's interview with former Kyrgyz Ambassador, October 2010.

Under the previous regime, the Akaev group was the most powerful one. The government was dominated by northern elites coming from the Chui and Talas regions. Today almost all of the regional elites try to influence the government. New groups emerge and fight the old ones.<sup>129</sup>

Although Bakiev was elected president with a landslide victory in July 2005, the first year after the revolution was marked by a situation in which no group, let alone any individual could consolidate political power. Elite actors with a primary background in politics, business, or crime formed several alliances. There was little cooperation among these groups, and their inability to neutralize one another was the source of some power balance.

During this period the major divergent factor from Akaev's last period was to be found in the level of competition, following the breakdown in power hierarchy in the transition from Akaev to Bakiev. The major political structure that was left after the Tulip Revolution was the so-called tandem between President Bakiev and Prime Minister Feliks Kulov, an arrangement many observers initially thought would bring the country some unity. However, during the year and a half the tandem existed, it was primarily a source of state paralysis. The public perception communicated by the media was one where Bakiev and Kulov were supported by rivaling political and economic factions and were also backed by rivaling criminal authorities. The two men ran the state almost as separate entities. The president eventually emerged on top and in early 2007 Kulov was outmaneuvered as prime minister and replaced by the unknown Azim Isabekov.

Outside the government, Bakiev's strongest political rivals consisted of several politico-economic magnates in the parliament with extensive economic interests in lucrative spheres such as alcohol, tobacco, trade, construction and bazaars. The group of politico-economic magnates previously operating under the Akaev family's umbrella either shifted their loyalties to Bakiev overnight, or fiercely resisted to be invoked under a new patron and, thus, became the new president's most bitter foes. A prominent opposition politician characterized the Kyrgyz opposition as "a group of politicians who exploit temporary alliances and associations, which at the same time continue to com-

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<sup>129</sup> Author's interview with Tursunbai Bakir uulu, Ombudsman, Bishkek, May 2006.



pete with each other, to the detriment of common interests.”<sup>130</sup> Indeed, as with the opposition against Akaev, the opposition to Bakiev was defined around narrow competing alliances, with their mutual resentment of the new president as the sole common denominator, not any common political ideas. Yet, the opposition lacked sufficient representation in the parliament and found it difficult to challenge the president through the legislative arena. According to an oppositionist who was also a member of parliament, the president primarily controlled the parliament through financial means. For example, certain policies and ministerial candidates were approved by a sufficient amount of parliamentarians in exchange for individual payments in the range of \$5,000–10,000.<sup>131</sup>

Instead, the opposition made extensive use of organizing mass demonstrations to pressure Bakiev. The most organized event took place in November 2006, when a loose coalition of opposition figures organized protests for a week in central Bishkek demanding constitutional reform but increasingly also Bakiev’s resignation. At this point, the opposition came close to overthrowing the regime. Yet, Bakiev survived and worked decisively to neutralize the opposition. Following constitutional referendum in November 2007 and the subsequent parliamentary elections based on party lists in December 2007, which saw a newly established pro-presidential party, Ak Jol, win the majority of seats, the political opposition appeared defeated.

The Tulip Revolution and its aftermath were also severely influenced by organized crime leaders. While the actual role played by organized crime groups in triggering the revolt against Akaev still remains a matter of debate,<sup>132</sup> there is consensus regarding how they affected its aftermath. The ag-

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<sup>130</sup> Bakyt Beshimov, “Kyrgyzstan: Is Democracy on the Agenda for the Country?,” *Kyrgyzstan Brief*, Bishkek: Institute for Public Policy, January-February 2008, p. 15, available at <http://www.ipp.kg/files/publications/KG%20brief%20Jan-Feb.pdf>

<sup>131</sup> Author’s interview with member of Kyrgyz parliament, Bishkek, June 2006.

<sup>132</sup> According to some reports, criminal leaders increasingly dissatisfied with the Akaev regime were amongst those able to monopolize troops first on the local arena and then in the capital. The previously mentioned Erkinbaev in particular played a key role. He expended substantial funds to make sure that young men from his association of traditional wrestling clubs were fed and kept together before the showdown in the southern city Osh when the local administrative buildings were seized. Thereafter, his people were transported to the capital. According to Erkinbaev, his men were the first to enter the presidential building when it was stormed (“The Unsung Role of Kung Fu in the

gressive redistribution of property, resources and relative power in the power vacuum left after the revolution has been linked to organized criminal groups and individuals with a power base in semi-illegal businesses exploiting the opportunity to expand into the public sphere in an attempt to dictate the course of politics.<sup>133</sup> Criminal leaders openly used intimidation and financial power to up their demands on the government. Political violence reached an unprecedented level, including more than a dozen contract killings of high-profile figures in 2005 and 2006. Criminal authorities were not only used by political actors in order to secure protection from, and leverage over, competitors in the battle over political and economic power, but criminal kingpins rather tried to seize power independently from the political leadership. At the time, criminal leaders were further enhanced in their power bid by an increased acceptance amid the general public of criminals as authority wielders. A member of the parliament noted that there are no barriers that prevent individuals with criminal reputations from playing a decisive role in the country's political processes. They use wealth derived from illegal activities to build up a support base, and no one asks about the source of the money.<sup>134</sup> It is tempting to interpret these conditions as the product of a system in which pretenders to authority, irrespective of whether they are representing legal or illegal interests, compete on roughly equal premises.

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Kyrgyz Revolution," *Agence France-Presse*, March 28, 2005). Some author interviews with politicians, police officers and some civil society activists corroborated this view. According to a former Akaev ally that turned oppositionist, the Tulip Revolution was facilitated by an active alliance between the criminal world and the state bureaucracy (Author's interview with member of the Kyrgyz Parliament, Bishkek, June 2006). A leading civil society activist and vocal critic of Akaev echoed these statements: "Leading opposition politicians turned to me and my NGO for support and grants during the events leading to the revolution, but I said that this bandit revolution is not what we want ... A lot of criminal money was involved in bringing about the revolution." (Author's interview with leader of Kyrgyz NGO, Citizens against Corruption, Bishkek, February 2006). Yet, another prominent member of civil society emphasized the dimension of real popular grievances and saw criminal groups as mainly mobilizing to benefit from the chaos that erupted after the first president fled the country (Author's interview with leader of Kyrgyz NGO, Bishkek, February 2006).

<sup>133</sup> This process has been seen as the second part of the revolution (Alisher Khamidov, "Kyrgyzstan's Unfinished Revolution," *China and Eurasia Forum Quarterly* 4 (4), 2006, pp. 39-43).

<sup>134</sup> Author's interview with Melis Eshimkanov, member of Kyrgyz parliament, Bishkek, June 2006.

Regular state organs were incapable of handling the situation. For example, the judicial system's inability to withstand pressure from organized crime was apparent when a court action instituted against Ryspek Akmatbaev before the Tulip Revolution came to an end in January 2006 with all charges against him dropped. The verdict led many local observers to believe that he had allies at the very highest level of the state. In a subsequent similarly illustrative event, the government decided to lift the electoral committee's ban against Ryspek's participation in the parliamentary by-elections for the seat vacated when his brother Tynychbek Akmatbaev was killed during a prison revolt in October 2005. He won the election, receiving no less than 79 percent of the votes, although the seat was not taken up before he was killed in May 2006. His stated aim was to take over as head of the parliamentary committee on security, rule of law and information policy previously held by his brother. This gives a rather revealing illustration of how a committee responsible for the rule of law is a legitimate target for individuals with a strong background in the very activities that are anathema to legality.

### **A One Family Political System**

After a two year period of knife-edge equilibrium between 2005 and 2007, Bakiev managed to destroy the competition and set himself up as number one. His method was to create an unreserved kleptocracy. He and his family took the logic established under Akaev to an even further extreme. Under Akaev, the presidential family control of the state apparatus was mainly informal and related to his wife's control over cadre politics, his son and daughter's increasing political ambitions as leader of the presidential party and advisor to the Minister of Finance, respectively, as well as patronage over some law enforcement agencies, and also the extensive economic influence of his son-in-law. During the second half of Bakiev's rule, influence was no longer informal but his family members took direct formal control of the country's economy as well as the security structures.

Indeed, under Bakiev, Kyrgyzstan's downward slide accelerated perilously, and in this system, corruption, nepotism and even organized crime was strictly organized from the top. The political system became synonymous with his nuclear family and, to a lesser extent, his extended family. The in-

vestigation of property allegedly appropriated by the Akaev family initiated after the revolution quickly faded. It did not produce any tangible results regarding either the origins or changes in ownership of these businesses. Among the public and experts, the prevailing attitude was that the new ruling family and its closest beneficiaries simply took control of the business interests that previously belonged to the Akaev family.<sup>135</sup>

Early on, Kyrgyz observers noted that Bakiev's regime relied more heavily on particularistic ties based on family and kinship than Akaev's regime. A former minister and ambassador noted that while many basic features remained constant from Akaev to Bakiev, one of the principal divergent factors was that local and regional belonging became even more important.<sup>136</sup> Bakiev sought to radically redress the dominance of northern elites over the country's politics by promoting southerners, mainly from his native Jalal-Abad region. At the core of this system was his closest family. As Roza Otunbaeva, the interim president who succeeded Bakiev, noted while being a member of parliament: "Today, there are five Bakievs working in the 'White House' on the top echelons of the power. I do not speak about their numerous relatives who have captured all floors of the 'White House.'"<sup>137</sup>

Tangible personal loyalties related to kinship were not the only means to manipulate control over the state. According to a top level official the system of selling offices remained in place.

Bakiev was already more familiar with the system of selling posts. He was able to construct a system of sale and distribution of posts that had been initiated in the previous ten years within a period of two years. Already by 2007, almost everything was resolved this way. If Akaev began to build this system, Bakiev brought it to automatism.<sup>138</sup>

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<sup>135</sup> As for example reported by Gulnoza Saidazimova, "Kyrgyzstan: Economic Reforms Seem Stalled," *RFE/RL*, May 5, 2006, available at [www.rferl.org/content/article/1068670.html](http://www.rferl.org/content/article/1068670.html)

<sup>136</sup> Author's interview with former Kyrgyz Minister, Bishkek, May 2007.

<sup>137</sup> Bermet Bukasheva, "Luchshe p'ianyi Aidar chem trezvyi Maksim': Kirgizskikh prezidentov pogubili deti," *Ferghana.ru*, April 16, 2010, available at [www.ferghana.ru/article.php?id=6539](http://www.ferghana.ru/article.php?id=6539)

<sup>138</sup> Author's interview with former Deputy Minister, February 2011.

The idea of a one-family state was realized to the fullest extent in 2009. Aided by the Constitutional Court, Bakiev decided that presidential elections should be held in summer 2009 instead of 2010, when the president's term expired. Against a disillusioned and divided opposition, Bakiev was easily re-elected. Bolstered by this success, the president undertook a significant overhaul of the government system in the fall of 2009. Under the pretext of administrative reforms, the president transferred practically all powers to himself and his appointees in a number of new agencies directly under his control. The main beneficiary was the president's son Maksim Bakiev. In clear violation of the Law on State Service, which prohibits the head of state to appoint close relatives to positions that are under his direct supervision, Maksim was appointed to head the Central Agency for Development, Investment and Innovation (CADII) – a brand new agency put in charge of much of the country's economy and superior to all the other major state financial bodies. Indeed, it has been noted that the reforms in general and the establishment of CADII in particular effectively meant the abolishment of the government cabinet and the parliament in economic decision-making. Speaking of CADII, Otunbaeva said: "In fact, today there are two governments. Clearly Daniyar Usenov agreed to be the backup, and was appointed to the position only known as 'prime minister.'" <sup>139</sup> A Kyrgyz Ambassador recalled a conversation with Usenov's predecessor as prime minister:

The former prime minister told me how he was invited last year, shortly before his resignation, to Maksim Bakiev's office. Maksim said: thank you for all your work, but now I need to have a new prime minister, someone who will follow my instructions. You will only argue with me. <sup>140</sup>

If Maksim was in charge of the economic pillar of the state, his uncle, the president's younger brother Janysh Bakiev, was in command of the security pillar. An elite unit of armed forces called "Arystan" (The Lion) was established following the merger of the National Guard and the State Protection

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<sup>139</sup> Roza Otunbaeva quoted in Bukasheva, "Luchshe p'iany i Aidar chem trezvyi Maksim'."

<sup>140</sup> Author's interview with former Kyrgyz Ambassador, October 2010.

Service, which Janysh had headed since 2008.<sup>141</sup> In addition, since 2006, inside sources from Kyrgyzstan's law enforcement agencies have claimed that Janysh in reality was the grey eminence in the entire police system by informally wielding substantial powers over appointments within law enforcement agencies, not least the Ministry of Internal Affairs, officially headed since 2008 by his close personal confidant and hardliner, Moldomusa Kongantiev.<sup>142</sup> Another powerful law enforcement member of the family, the president's elder son, Marat Bakiev, held the position as deputy head of the most effective state instrument for manipulation, the National Security Service. In addition, a second brother of the president was Ambassador to Germany, a third special Trade Representative to China, a fourth informal strongman of the Jalal-Abad oblast, the Bakiev family's native home region, a fifth was a local village administrator, and a sixth brother passed away in 2006 but had before been in charge of Kyrgyzstan's Agency for Community Development and Investment, to some extent a rudimentary predecessor to the mighty CADII created for Maksim Bakiev.

In a comment to Bakiev's reforms of the government and state apparatus in 2009, the chairman of the oppositional Ata-Meken party, Omurbek Tekebaev claimed that, "If earlier in Kyrgyzstan economic and social objects were privatized, then today Kurmanbek Bakiev intends to privatize state power."<sup>143</sup> The family established a parallel fiscal system in which the obedient parliament was responsible for drafting the conventional budget, while major external flows were concentrated directly under CADII and another invention – the Development Fund of the Kyrgyz Republic, structurally a part of CADII. As for the financial powers yielded to the Development Fund, these included the country's strategic natural resources, foreign credits and aid entering Kyrgyzstan.

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<sup>141</sup> "Kyrgyz President's Brother Creates Elite Military Unit," *RFE/RL*, February 18, 2010, available at [www.rferl.org/content/Kyrgyz\\_Presidents\\_Brother\\_Creates\\_Elite\\_Military\\_Unit/1962177.html](http://www.rferl.org/content/Kyrgyz_Presidents_Brother_Creates_Elite_Military_Unit/1962177.html)

<sup>142</sup> Author's interviews with high level official in the Ministry of Internal Affairs as well as former police officers, Bishkek, June 2008, July 2009. In 2005, Janysh was head of the transport police within the ministry of internal affairs, and in 2006, he was briefly deputy head of the national security service.

<sup>143</sup> Omurbek Tekebaev, "Prezident Kyrgyzstana privatiziruet gosudarstvennyuyu vlast'" *Kyrgyznews.com*, October 26, 2009, available at [www.kyrgyznews.com/news.php?readmore=4032](http://www.kyrgyznews.com/news.php?readmore=4032)

### **The Expansion of Economic Monopolies**

It was noted how wealth independent from the state was brought to heel under Akaev. Wealth became concentrated into the hands of politicians who simultaneously were business executives. These executives held influence over decision-making, legislation, regulations and concrete state agencies. Under Bakiev, these practices expanded to more and more sectors of the economy, including illegal markets. As political power equals economic power in Kyrgyzstan, there is little wonder that the new ruling family amassed a truly staggering level of wealth control. A local businessman involved in the strategically important petroleum industry assessed the deteriorating situation in the following terms:

Being a businessman under Bakiev was very hard. The [presidential] family closely monitored all strategically important sectors of the economy, such as the petroleum industry. They had a crew of experts who collected information on every profitable business. Everything had to go through the [presidential] family. You have your limitations. Our company was visited by persons sent by the family. They said that we allow you to work, but you have to do this and that. And we obeyed since there was no alternative to the family. There were no limits and this was different than under Akaev when we still had some space to breathe.<sup>144</sup>

Notably, the Bakiev family stamped its authority over the three major sources of rents – gold, hydroelectricity and international flows. In the gold sector, the terms of the Kumtor agreement was mooted, and in 2007 the Bakiev government concluded a partial re-nationalization contract increasing the government's share to 50 percent. This decision also sparked considerable controversy with the opposition criticizing the president for seeking to obtain a new source of large-scale corruption schemes under the façade of nationalization. Besides Kumtor, another notable case is the second-largest gold mine in the country, Jeruy. Contracts for developing the Jeruy gold mine were negotiated between the Kyrgyz government and international investors in the first years of independence, but it was not until 2003 that the British gold mining company Oxus Gold was given the license to seriously start op-

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<sup>144</sup> Author's interview with Kyrgyz businessman, Washington, D.C., September 2010.

erating the gold site. However, in 2005 the new leadership decided to strike a new deal. The contract with Oxus was annulled and the rights were transferred to the unknown Austrian company Global Gold. The bitter dispute between the Bakiev-government and Oxus, which drew the attention of the British Prime Minister Tony Blair, culminated in June 2006 when a foreign businessman representing Oxus in the dispute was ambushed and shot outside his home in central Bishkek.<sup>145</sup> The businessman survived but a couple of months later, the government seized the gold mining production site and its assets, estimated by Oxus-representatives to add up to approximately \$52 million. The staff was thrown out and the state gold company, Kyrgyzaltyn, installed its own security guards at the facility.<sup>146</sup> According to Kyrgyz commentators, the forceful redistribution of the Jeruy property represented the most obvious case of the new leadership's efforts to secure personal control over profitable economic assets.<sup>147</sup>

In the hydroelectricity sector, productive activity deteriorated even further under Bakiev. In 2006, a ranking official in the Ministry of Finance acknowledged that the problem had reached the point where the electricity company was not capable of receiving money for its production.<sup>148</sup> In 2007, the mystery of electricity losses was investigated in articles in the Kyrgyz newspaper *Bely Parokhod*. Accordingly, the state collected only 30 percent of payments due for its hydropower generation and the annual commercial losses in the energy sector were estimated at 35 percent. Rather than primarily being a consequence of an inability to collect from consumers, the losses were a result of complex arrangements orchestrated by insiders to divert money to private pockets rather than the state budget. The annual private pocketing from the electricity system has been estimated to \$30 million.<sup>149</sup> Allegedly, the mastermind behind these schemes was the country's number one energy baron,

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<sup>145</sup> "British Businessman from Oxus Shot in Kyrgyzstan," *The Independent*, July 8, 2006, available at <http://www.independent.co.uk/news/business/news/british-businessman-from-oxus-shot-in-kyrgyzstan-407148.html>

<sup>146</sup> "Authorities seize factory, assets of British-owned Kyrgyz gold mine," *International Herald Tribune*, September 8, 2006.

<sup>147</sup> Author's interviews with members of the Kyrgyz Parliament and Kyrgyz scholars, Bishkek, June 2006, spring 2007.

<sup>148</sup> Author's interview with official in the Ministry of Finance, Bishkek, June 2006.

<sup>149</sup> *Bely Parokhod*, October, 30, 2007 and author's interview with former Ambassador/former member of parliament, Bishkek, May 2006.



Alexei Shirshov, who started overseeing the electricity system under Akaev when he was appointed financial director of *Elektricheskie Stantsii*, perhaps the most profitable part of the hydroelectricity conglomerate, and was rumored to be close to Aidar Akaev. Subsequently, under Bakiev, Shirshov remained in charge and is believed to have been a close business associate of Maksim Bakiev. In 2007, another insider, the formal head of *Elektricheskie Stantsii*, Saparbek Balkibekov, was rewarded with the appointment as Minister of Energy.<sup>150</sup> In 2008, it was openly discussed in Bishkek how the acute water deficits, which forced the government to turn off electricity for several hours every day even in the capital Bishkek, were a result of water having been sold unofficially to Kazakhstan and Uzbekistan.

Finally, the Bakiev administration quickly turned its attention to securing a more profitable agreement for leasing the Manas airbase to the U.S. government. In 2006, a new deal was concluded which raised the annual rent from \$2 million to \$17 million. In 2009, Bakiev further stepped up his extortion by playing the U.S. and Russia against each other for influence in Kyrgyzstan. The outcome resulted in a tripling of the annual U.S. rental payment to \$60 million. “For the Kyrgyz opposition, excluded from these base-related revenues, Manas became a daily reminder of the Bakiev family’s greed, corruption and use of Kyrgyzstan’s state assets for their private purposes.”<sup>151</sup>

The Bakiev administration also refined the practice of government sanctioned “reiderstvo,” i.e. hostile takeovers, that had emerged as a tool for redistributing political and economic power in the late Akaev-era. Seizures through raids targeted important business assets, like land, property and contracts, or even licenses, patents and inventions, or specific companies. In a revealing article, a Kyrgyz lawyer, studying the phenomenon, argues that the target often is a special key enterprise in a profitable sector of the economy. This key company in turn provides a stepping stone for launching more attacks and absorbing more companies within the particular industry or related industries.<sup>152</sup> Already in the aftermath of the Tulip revolution it was rumored

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<sup>150</sup> After the collapse of Bakiev’s administration, criminal charges were launched against both Balkibekov and Shirshov. However, both fled the country.

<sup>151</sup> Alexander Cooley, “Manas Hysteria,” *Foreign Policy*, April 12, 2010.

<sup>152</sup> Oleg Pankratov, “Reiderstvo kak novoe yavlenie v ekonomike Kyrgyzstana,” *Nalogi i pravo* 9, September 2009.

how Maksim Bakiev quickly intervened through raider attacks to inherit control over various businesses previously held by Aidar Akaev. Over time he expanded well beyond these holdings and in the end almost no lucrative economic spheres were outside the tentacles of Maksim's business empire, including banking, natural resources and external investment flows, like credits and loans from Russia and China and rent for the U.S. airbase at Manas International Airport.

Maksim Bakiev also cultivated a network of international financial collaborators to manage various schemes. The right to manage the Development Fund's assets was granted, through a tender procedure organized by the Fund itself to the private company MGN Asset Management headed by Eugene Gourevitch - a naturalized U.S. citizen born in Kyrgyzstan. Gourevitch had been Director of Asia Universal Bank (AUB), the largest commercial bank in Kyrgyzstan, and reputedly a key pillar in Maksim's financial empire between 2006 and 2009.<sup>153</sup> In March 2010, international press reported that an Italian court had issued an arrest warrant against Gourevitch for alleged involvement in a fraudulent scheme that had siphoned off no less than \$2.7 billion from the wholesale telephone divisions of Telecom Italia SpA and Fastweb SpA between 2003 and 2006. He was further accused of connections with the 'ndrangheta criminal syndicate in southern Italy and money laundering of proceeds from the drug trade.<sup>154</sup> Only after this did the Bakiev regime break its ties with Gourevitch and MGN. For several local observers, this scandal represented just the final confirmation of the suspicion that Kyrgyzstan had turned into a laundry machine for criminal money.<sup>155</sup> In addition to Gourevitch, other members of Maksim Bakiev's inner circle of financial schemes include Russian citizen Mikhail Nadel, founder and owner of Asia Universal Bank; Valeriy Belokon, a Latvian businessman with whom Maksim developed close friendship and business relations, including the joint company

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<sup>153</sup> Clare Nuttall, "Kyrgyzstan Sets out Plans for Development Fund," *Business New Europe*, October 6, 2009, available at <http://businessneweurope.eu/story1802/Kyrgyzstansetsoutplansfordevelopmentfund>

<sup>154</sup> "US Citizen a Key Player in Alleged Italian Telecom Fraud, *Reuters*, March 7, 2010, available at [www.reuters.com/article/idUS362983270120100308](http://www.reuters.com/article/idUS362983270120100308)

<sup>155</sup> See for example, "Kyrgyzstan: Is the Financial Consultant of Bakiev's Family the Associate of Italian Mafia?" *Ferghana.ru*, March 10, 2010, available at <http://enews.ferghana.ru/news.php?id=1606>

Maval Baltika Aktiva; Aleksei Elisheev, deputy head of CADII and a major stockholder in the gold mining venture Centerra operating the Kumtor gold mine; and Aleksei Shirshov, the electricity director.<sup>156</sup>

International credits and loans were also treated as part of Maksim's private financial flows. For example, the US\$300 million loan from Russia intended for constructing the Kambarata-1 hydroelectric cascade was instead used for lending. As a prominent foreign businessman in the country noted: "the money received from Russia moved in a carousel of bank transfers from the Ministry of Finance to the National Bank of Kyrgyzstan, then to the Development Fund and finally to a commercial bank. Of course, each transfer came with an interest charge."<sup>157</sup> In brief, the Russian loan was used for making private profit, not building up an electricity system on the brink of collapse. In short, while the belief that Maksim controlled all profitable businesses in the country is an exaggeration, the near unison public perception that this was the case translated into a commonly held reality.

As the country's economy was put in the hands of Maksim Bakiev and his international and domestic associates, there were also the more traditional, but likewise lucrative, businesses exercised by the president's brothers and elder son. These were more rudimentary in nature compared to the elaborate use of investment banking and capital venture preferred by Maksim. The International Crisis Group neatly captured the divergent approaches to wealth within the presidential family:

It seemed in fact that some of the president's brothers preferred a traditional approach to politics, one that revolved around levying tribute on officials, businessmen and other wealthy power-brokers. They may well have been happy to lead the life of the traditional feudal seigneur. Maxim on the other

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<sup>156</sup> It should be noted that none of these individuals have denied their close links with Maksim Bakiev. Belokon, Gourevitch and Nadel have all on record expressed their admiration of and friendship with the former president's son.

<sup>157</sup> Giorgio Fiacchoni, "Easter Revolution: a Vicious Circle Started with the Tulip Revolution," *Times of Central Asia*, April 13, 2010.

hand harbored the ambition of becoming an oligarch as rich as if not richer than Russia's Oleg Deripaska or Roman Abramovich.<sup>158</sup>

In particular, the traditional faction inside the ruling family appears to have specialized in extracting money from control over state organs.<sup>159</sup>

### “Outcompeting” Organized Crime

For all its intensity, the period when criminal authorities tried to enhance their political power independently from the political leadership would prove relatively short-lived, lasting from March 2005 to spring 2006, begging the question how this defeat can be explained.

To start with, several politicians and experts link the dramatic rise in political assassinations since 2005 to the forceful redistribution of political power, and the Bakiev team's attempt to destroy the competition.<sup>160</sup> The author conducted several interviews as this process unfolded in spring 2006. For example, a former police officer alleged: “A major trend in Bakiev's actions is to use criminal groups against dissidents. This sends a strong message to society.”<sup>161</sup> The use of violence became critical in Bakiev's efforts to destroy the opposition and consolidate political power. In particular, this appeared to take the form of collaboration between law enforcement bodies and criminal groups. The Kyrgyz opposition alleged that the death of influential former chief of the Presidential Administration, Medet Sadyrkulov, in March 2009, was the result of such collaborations.<sup>162</sup>

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<sup>158</sup> International Crisis Group, “Kyrgyzstan: A Hollow Regime Collapses,” *ICG Asia Briefing* 102, April 27, 2010, p. 10.

<sup>159</sup> Several experts note Janysh's control over most law enforcement agencies, another brother Marat's influence over the court system dating back to his time in charge of the court department, elder son Marat's power within the National Security Service as well as according to some also the customs committee and a third brother, Akhmat's, control of local politics and legal and illegal businesses in the southern Jalal-Abad oblast.

<sup>160</sup> Commentaries by Bakyt Beshimov, Omurbek Tekebaev and Jenishbek Nazaraliev in *Al Jazeera English*, “People and Power – Kyrgyzstan: Price of Corruption,” August 5, 2009.

<sup>161</sup> Author's interview with retired Police General, Bishkek, February 2006.

<sup>162</sup> Former first deputy prime minister under Bakiev, Elmira Ibraimova claimed that these squads were increasingly out of control, creating a political environment where no one was safe (“Kyrgyzstan: Price of Corruption”). According to the official gov-

Following the assassination of Ryspek Akmatbaev in May 2006, it was obvious that organized crime groups were less active, or at least much less visible than before. The official view communicated to the author by a high-level official in the ministry of internal affairs localized, as of 2008, three major organized crime groups in the country. While all of them had a regional stronghold, none of their leaders had managed to replace Ryspek as a nationwide criminal authority with substantial leverage over the political system. The most powerful group was estimated to be the one led by Kamchy Kolbaev who, in the spring of 2008, was elevated to the, among criminals, highly respected status of Kyrgyzstan's first thief-in-law (*vor v zakone*) during a ceremony in Moscow. The second group was under the authority of Aziz Batukaev, an ethnic Chechen with a reputation as criminal authority dating back to the early years of independence. Previously, Akmatbaev's main antagonist, Batukaev had run his criminal enterprise from a prison cell in Karakol, close to the Chinese border. The third group was clustered around the Karabalta region outside of Bishkek where several industrial-complexes are concentrated, including the sugar industry. It is led by Almaz Bokushev, who is connected by kinship to a former minister of internal affairs, and the ex-minister's brother, a former deputy in the national legislature from the Karabalta region. All of these groups are based in the northern parts of the country and mainly financed from drug trafficking, contraband and gambling as well as racketeering small and large scale economic commercial sectors. However, the official asserted that "the police have these groups under control."<sup>163</sup>

A year later in 2009, the Kyrgyz Ministry of Internal Affairs officially reported that only two organized crime groups were still active in the country and that since 2006 ten organized crime groups had been detected and neutralized. In what can be interpreted as a sign of triumph, one police official said:

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ernment investigation, the cause of the death was that Sadyrkulov's car caught fire after being hit by another car. The driver of the other car, Omurbek Osmonov, who managed to escape without injuries, was sentenced to 12 years in prison. After Bakiev was toppled in April 2010, the interim government announced that it would reinvestigate Sadyrkulov's death, but shortly afterwards the imprisoned Osmonov was found dead.

<sup>163</sup> Author's interview with the assistant to the Minister of Internal Affairs, Bishkek, July 2008.

My former workplace, the special department for combating organized crime, was a large unit a few years ago, but now the situation has become much better and it has now been abolished and is included under the department for criminal investigation.<sup>164</sup>

Yet, it would be misleading to interpret these statements as the state out-competing organized crime and monopolizing the use of violence by legal means. To the contrary, the police basically outcompeted organized crime by taking it over. The state racket replaced the criminal racket. Consider the following account of the process offered by a former high-level official in the ministry of internal affairs in January 2010 while Bakiev was still in power:

Since 1990, I can say that only during Akaev's latter years and until 2006 organized crime felt quite well – Ryspek's time – now organized crime groups are controlled by law enforcement agencies, mostly by police. One of the heads of Kyrgyz organized crime is under the control of Bakiev's clan – Kamchi. Another one – Batukaev – who is still in prison, and controls prisoners, has not openly declared that he supports either the Bakiev regime or the opposition.<sup>165</sup>

Indeed, on closer scrutiny, criminal authorities appear to have been divided among the members of the Bakiev family. For example, a leading criminal authority from Bakiev's native region of Jalal-Abad in the South, Aibek Mirsidikov, better known as "Black Aibek", allegedly stood under the patronage of the president's brother Akhmat Bakiev, who, despite not holding any official posts, was accused of acting as informal "governor, mayor, prosecutor and top cop in Jalal-Abad."<sup>166</sup> Other leading representatives of the criminal world allegedly granted freedom of operation in their territories in exchange for subjugation to the political authority included Rustam Abdulin, Kadyr Kochkarov, Maksat Abakirov, Ertybaldy Junusov, Murod Mamarasulov, Ku-

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<sup>164</sup> Author's interview with former police official in the department for combating organized crime in the Ministry of Internal Affairs, Bishkek, July 2009.

<sup>165</sup> Author's interview with former assistant to the Minister of Internal Affairs, January 2010.

<sup>166</sup> *Litsa*, June 5, 2006.

bat Ashimov, Aidar Shamurzaev, Kuvonich Nurmatov and Almanbek Anapiyaev.<sup>167</sup>

Indirect observations by a member of the opposition to Bakiev illustrated a similar picture to the one reported by police sources. For instance, a prominent member of the Kyrgyz opposition accused the police of taking an increasingly active role in organized crime:

In exchange for absolute loyalty to the political leadership, the regime offers the police freedom to operate ‘commercial’ activities, such as raiding businesses or benefiting from protecting illegal trade in narcotics.<sup>168</sup>

These accounts were given in informal interviews while Bakiev was still in power. After the bloody overthrow in April 2010, charges have been brought forward from a wide variety of sources against the Bakiev family’s complicity in large-scale organized crime, and the prosecutor’s office opened almost two hundred criminal cases against members of the Bakiev family and their cronies.<sup>169</sup>

Informed sources from Kyrgyzstan’s law enforcement agencies allege that parts of the lucrative drug trade emanating from Afghanistan had been controlled by law enforcement organs under the supervision of members of the ruling family. In October 2009, the U.S.-sponsored Drug Control Agency (DCA) was abolished. The head of the National Security Council in the post-Bakiev government claimed:

As far as I know it was Janysh’s idea to liquidate the Drug Control Agency in order to secure full control over drug trafficking. Full monopoly. He used any methods [to get rich]. Even to get licenses for renting out water scooters in Issyk-Kul, owners had to get ‘an ok’ from the State Protection Service, headed by Janysh.<sup>170</sup>

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<sup>167</sup> “Est’ li buduschee u Kyrgyzstana?,” *Novosti-kg*, January 13, 2010, available at <http://www.kyrgyznews.com/news.php?readmore=4385>

<sup>168</sup> Author’s interview with Kyrgyz politician, Stockholm, August, 2009.

<sup>169</sup> “198 criminal cases opened against Bakiev’s milieu,” *24.kg*, October 1, 2010, available at <http://eng.24.kg/community/2010/10/01/13882.html>

<sup>170</sup> *Delo No*, May 19, 2010.

This information was tacitly confirmed in a newspaper interview with Vitaliy Orozaliev, a long time drug enforcement official and the appointed director of the new State Drug Control Service that was established after the fall of the Bakiev regime.<sup>171</sup> International experts have expressed similar concerns. According to a Western expert quoted in an International Crisis Group Report, the closure of DCA followed in the wake of some serious drug seizures, indicating that it had come too close to the ruling elite.<sup>172</sup>

The synergy between organized crime and the state is a striking feature in Kyrgyzstan. In the opinion of a former police officer: “There has never been a regular mafia in control of Kyrgyzstan. Our ‘mafia’ can rather be characterized as political, and consists of bandits at the highest level of state power.”<sup>173</sup> A similar assessment was made by a high-level government official, arguing that: “In other countries the mafia is always separate from the government. Here the situation is another. We have to fight it in another way since it has political power.”<sup>174</sup> A third view, echoing these statements, comes from an entrepreneur: “In comparison to the political mafia that enacts laws, controls the economy and law enforcement organs, organized crime groups are small potatoes.”<sup>175</sup> To summarize, in the late Akaev-era and during the aftermath of the Tulip Revolution organized crime had turned into such a powerful financial and political force that consolidation of political power required defeating it. Instead of using the legal framework, Bakiev’s regime defeated organized crime by eliminating some criminal leaders, protecting other and, in essence, establishing a joint-venture between law enforcement agencies and organized crime groups in the country cooperating to resolve particular issues.<sup>176</sup>

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<sup>171</sup> *Delo No*, June 5, 2010. After Bakiev’s fall, drug seizures increased and more than four tons were reported seized in September 2010 alone.

<sup>172</sup> International Crisis Group, “Kyrgyzstan: A Hollow Regime Collapses,” *ICG Asia Briefing 102*, April 27, 2010.

<sup>173</sup> Author’s interview with former high-level police officer, Bishkek, July 2009.

<sup>174</sup> Author’s interview with high-level government official, Bishkek, May 2006.

<sup>175</sup> Author’s interview with Kyrgyz businessman, Bishkek, July 2009.

<sup>176</sup> Volkov, *Violent Entrepreneurs*, p. 170.



### **The Limits of Kleptocracy**

Bakiev consolidated power and control by creating a kleptocracy that attempted to put most assets of the country into the private hands of the ruling family. This regime could hardly be understood from a conventional perspective of the state, but emerges as rational if analyzed from the perspective of the motives, methods and purposes of a mafia rather than a political organization. In particular, the co-existence of traditional and modernizing forces within the Bakiev family strikingly resembles the evolution of the mafia from a distinct type of violent tribute collecting organization to an increasingly global crime syndicate involved in the drug trade and money laundering. From this perspective, it would not be misplaced to compare the Bakiev regime with the ruling elites in some African countries that Bill Berkeley portrays as criminal family syndicates that seize control “of the state itself and all of its organs.”<sup>177</sup>

On the face of it, Bakiev’s strategy of increasing control over all levers of state power by constructing a so-called power vertical, partially inspired by the Russian model of governance, appeared to have yielded some success. Compared to the failed vertical integration of political power under Akaev when state functions, including control over taxation, territory, legality and violence, to a certain degree were dispersed and decentralized, Bakiev gave priority to vertically integrating political authority in order to combat the existence of multiple, competing and predatory loci of power.<sup>178</sup> Representatives of the president’s group headed several ministries, including internal affairs, defense, finance, justice and emergency situations. Other southern elites supporting Bakiev held positions as secretary of the National Security Council, the General Prosecutor, and the ministries of transport, culture, labor and tourism respectively.<sup>179</sup> The system was complete after the administrative reforms in fall 2009. As an influential foreign businessman and long-time resident of the country puts it:

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<sup>177</sup> Bill Berkeley, *The Graves are not Yet Full: Race, Tribe and Power in the Heart of Africa*, New York: Basic Books, 2001, p. 15.

<sup>178</sup> This strengthened vertical control yielded some results. For example, tax and customs collection improved under Bakiev, even though this did not mean that they were used to supply public goods.

<sup>179</sup> Saidazimova, “Three Years on, Kyrgyz President Taken to Task for Rampant Nepotism.”

It was practically the final act when the so called Presidential Institute was created in October 2009. With that announcement, the traditional concept of a President, Parliament and Government all exercising their duties within the limits of their competence were completely transformed and all powers practically transferred to the president or his appointees.<sup>180</sup>

In short, the Bakiev family managed to eliminate any degree of specialization within the ruling coalition. The only individuals allowed to specialize in the use of violence, in economic activities and in political activities were members of the presidential family. Yet, Bakiev's strategy backfired as he alienated too many powerful elites. Rather than distributing positions among local elites, or using corruption as a balancing mechanism, the family's privatization and criminalization of the national economy were aided by murky businesspeople from abroad. They were brought in to supervise the Kyrgyz economy and used it as a source for personal enrichment. This seriously frustrated and radicalized large parts of the population as well as excluded political families.

In sum, neither competing elites nor the general public believed that Bakiev was ever going to regulate political succession through constitutional means, but that he had prepared the stage for his son to succeed him. While Bakiev at times co-opted several rivals by offering them access to the power, money increasingly ceased to be effective in ensuring access to influence and power. For rivaling political elites, the only alternative was to violently overthrow him.

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<sup>180</sup> Fiacchoni, "Easter Revolution."

## The Nature of Political Power in Kyrgyzstan

Thus far, this paper has analyzed the developments over time in post-Soviet Kyrgyzstan from the break-up of the Soviet Union in 1991, via first President Akaev's vision of Kyrgyzstan as an island of democracy, to Bakiev's rise to power following the Tulip Revolution, and his fall in the April 2010 revolt. In this light, the nature of political power in Kyrgyzstan since independence relates to the following questions: 1) who governs Kyrgyzstan? 2) how is Kyrgyzstan governed? 3) for what purposes is Kyrgyzstan governed? 4) to what extent is Kyrgyzstan governed?

### Who Governs Kyrgyzstan?

Political power in Kyrgyzstan is a battle between personalities, not party elites, the military or any other organized group interest. Consequently, since independence, the country has been governed by a leading figure. In its most narrow sense, this leader represents a family and a specific local community. Both Akaev and Bakiev can best be characterized as heads of ruling families. Political competition is highly fragmented since it is defined by the personal interests of various patronage networks; these networks do not unite for ideological reasons or to promote some broader organized interests. The basic contours of this system become particularly obvious in times of upheaval and relative changes in the power among competing patrons. After the Tulip Revolution, the lack of unity among the new leadership was immediately revealed. In a clear display of divisions along personalities leading figures like Almaz Atambaev, Roza Otunbaeva and Omurbek Tekebaev did not accept Bakiev as the country's leader, and although the former two were given ministerial posts and Tekebaev was elected speaker of the parliament this was not enough. "They all wanted to be the president."<sup>181</sup>

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<sup>181</sup> Author's interview with former Kyrgyz Ambassador, October 2010.

Five years down the road, the situation is strikingly similar. Different personalities compete, and among them, a lowest common denominator that could break the political zero sum game has yet to emerge. Given the absence of a common national interest, the Kyrgyz political elite is susceptible to manipulation by outside forces. This was forcefully manifested after the parliamentary elections in October 2010 when four of the five party leaders winning representation in the parliament immediately traveled to Moscow for consultations, in a similar manner that the leaders of the opposition to Bakiev did prior to his removal in April 2010.

### **How is Kyrgyzstan ruled?**

The main players on the political arena in Kyrgyzstan compete not through formal institutional channels, but by means of competing informal patron-client networks. This finding supports recent research on Kyrgyz politics as driven by a patron-client logic.<sup>182</sup> At the core of these patronage pyramids is a particular family, but the network is widened through the ability to use financial power to attract additional clients. When one family pyramid manages to defeat the competitors and set itself up as the dominant family in control of the state apparatus, the state itself is constructed according to the same basic logic. When a family monopolizes the control of the political and economic systems, additional clients are acquired who are dependent on the continuation of that family in power. However, these individuals remain supporters only as long as the family holds power. At the core, then, the state becomes little more than the dominant clientelistic pyramid network in society, for the time being. In other words, the further away from these dense particularistic ties based on kinship, friendship or other close personal relations, the weaker the network becomes. This logic was forcefully revealed after the removal of both Akaev and Bakiev. Demonstrations and protests in support of the outgoing leaders did not gather support far beyond their native home districts Kemin and Suzak respectively, and even there they were not universally supported.

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<sup>182</sup> Scott Radnitz, *Weapons of the Wealthy: Predatory Regimes and Elite-Led Protests in Central Asia*, Ithaca: Cornell University Press, 2010; Spector, "Securing Property in Contemporary Kyrgyzstan."

### Why is Kyrgyzstan ruled?

During Akaev's early years, there appeared to be an ideological motivational component to his rule. Even those who would turn into his fiercest critics admit that he harbored a sincere vision of breaking away from the Soviet system and create a new political, economic and social order in Kyrgyzstan. He was especially committed to the idea of building capitalism, and he readily accepted the solutions offered by international financial institutions. As discussed previously, the ideological dimension quickly took a greedy turn, however, and followed the well known mantra of "greed is good." Gradually, ideology disappeared and the purpose of political power became synonymous with personal enrichment. Under Bakiev's rule, this motivational component became even more obvious. Political power is also important as it brings with it control over many people, which bolsters the leader's status among his followers. Ultimately, every leadership potentate wants to be the national leader, but this does not mean that respect and status on a national level are the objectives. Quite the opposite, national political power is important for enhancing the status among relatives and local communities.<sup>183</sup> In sum, a perspective of political power as a means for wealth and status rather than an end in itself helps explain why, when confronted with attempts to usurp power, many key political figures rather take the money and run than resist with decisive force. This is a contrast to what appears to be more politically motivated elites in states such as Azerbaijan or Uzbekistan, let alone theocratic or totalitarian leaders ruling for a "cause" in the Middle East for example.

### To what degree is Kyrgyzstan ruled?

Kyrgyzstan represents a case of what Douglass North et al label a fragile natural state.<sup>184</sup> It is fragile, since the support base of the ruling faction is so narrow and its position is always threatened by the use of violence from other elite groups excluded from power and wealth banding together to forcefully unseat the incumbent. Indeed, even when relatively stable, as it appeared

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<sup>183</sup> This narrow and local dimension of political power is apparent when one reads books by Kyrgyz politicians. See for example, Akaev, *Pamyatnoe desyatiletie*; Temir Sariyev, *Shakh Kyrgyzskoi demokratii*, Bishkek: Sham, 2008; Kulov, *Na perevale*.

<sup>184</sup> Douglass C. North, John Joseph Wallis and Barry R. Weingast, *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History*, Cambridge: Cambridge University Press, 2009.

at times under Akaev and Bakiev, the political order in Kyrgyzstan tends to be balancing on a “knife-edge.” This fragile order also helps to understand why the elite strongly favor redistribution of rents and asset grabbing for immediate power purpose at the expense of sound economic policies and long-term taxation. Since the future is so uncertain, the political elite seize the day by seizing the state.

In Kyrgyzstan, the coalitions headed first by Akaev and then Bakiev, has been based on strictly personal economic exchange distinctly separated from the general population. The control and manipulation of the distribution of privileges within the ruling coalition is the primary source for regulating relations among elites. Business and politics cannot be separated in this order. The well-being of key members of the ruling coalition depends on the success of the incumbent leader, and privileges are granted in exchange for support. While these networks demonstrate a more complicated form of political economy of social organization in comparison to the more primitive family group or tribe, this logic of power still appears insufficient for the purposes of constructing a more complex and extensive state capable of sufficiently controlling its territory, providing basic public goods that increases its public legitimacy and reduces alternative sources of authority and protection.<sup>185</sup>

### **Clans, Regional Networks and Clientelism**

How does the discussion on clientelism and the nature of political power in Kyrgyzstan relate to previous scholarship on politics in Kyrgyzstan and Central Asia? Political competition has often been identified in terms of conflicts over access to limited resources between different groups within Kyrgyz society. Two primary group-identities have been advanced to account for political competition – clan networks and regional power centers.

To start with the importance of clan politics for Central Asian political systems, Kathleen Collins defines a clan as “an informal organization comprising a network of individuals linked by kin-based bonds. Affective ties of kinship are its essence, constituting the identity and bonds of its organiza-

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<sup>185</sup> Georgi Derluguian and Timothy Earle identify this type of political organization as chieftaincy – a middle range polity situated above the tribe but below the state (Derluguian and Earle, “Strong Chieftaincies out of Weak States, or Elemental Power Unbound,” *Comparative Social Research* 27, 2010, pp. 51–76).

tion.”<sup>186</sup> At the eve of independence, pacts made between different clans determined the nature of the transition, including the level of reform in Central Asia.<sup>187</sup> Part of the deal among clans was that the chosen president protected the particularistic needs of the other pact members. Over time, the balance was interrupted as the clans closest to power became increasingly greedy and excluded many networks from the ruling clan coalition. Collins’ clan framework, then, can be applied to both the Tulip Revolution and the April 2010 revolt. Competition among clans for scarce resources produces an increasing number of outsiders, and when their number is high enough they may successfully challenge the clan in power.

Although Collins’ approach lends insights to Central Asian politics, there are a number of shortcomings as noted by recent anthropological research on Kyrgyzstan. First, Collins equates clans with rational corporate kinship groups. However, there is scant evidence that any unitary players called clans exist in post-Soviet Kyrgyzstan.<sup>188</sup> Rather than functioning as organized groups, tribal- and clan identities are manipulated by elites in order to advance their particular political and economic networks.<sup>189</sup> Secondly, the term clan becomes a catch-all concept including everything from family, regional affiliation, business associates, specific government factions and collective farms. The concept becomes an umbrella for highly divergent interests, identities and networks. In a way, this reflects the usage of the term in the region, as what are often meant by “clans” are various types of allegiances, including kinship, friendship, patron-client and client-client relations.<sup>190</sup> However, organization and motivation of these allegiances are distinct and need to be analytically separated.

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<sup>186</sup> Kathleen Collins, “The Logic of Clan Politics: Evidence from the Central Asian Trajectories,” *World Politics* 56 (1), 2004, p. 231.

<sup>187</sup> Collins, *Clan Politics and Regime Transition in Central Asia*. For a prominent study on clan politics in Kazakhstan, see Edward Schatz, *Modern Clan Politics: The Power of ‘Blood’ in Kazakhstan and Beyond*, Seattle: University of Washington Press, 2004.

<sup>188</sup> David Gullette, *Kinship, State, and ‘Tribalism’: The Genealogical Construction of the Kyrgyz Republic*, PhD Dissertation, Department of Social Anthropology, University of Cambridge, September 2006. Also, see Radnitz, “It Takes More than a Village.”

<sup>189</sup> Gullette, *Kinship, State, and ‘Tribalism’*, pp. 6–7.

<sup>190</sup> Alisher Ilkhamov, “Neopatrimonialism, Interest Groups and Patronage Networks: The Impasses of the Governance System in Uzbekistan,” *Central Asian Survey* 26 (1), 2007, pp. 65–84.

In opposition to the clan framework, a second explanation stresses the lingering impact of Soviet administrative engineering. The leading advocator Pauline Jones Luong argues that regionalism, defined in terms of “identities based on the internal administrative-territorial division established under the Soviet regime,”<sup>191</sup> best explains institutional outcomes in post-Soviet Central Asia. From this perspective, the Soviet system and its intra-republican divisions had profound implications for transforming traditional pre-Soviet identities, like tribes and clans, into regional-administrative identities. Rather than clans, regionally-based loyalties form the basis of the networks which compete for access to political and economic resources. The central competition here is the one between the center and the regions, manifested in Jones Luong’s study by the example of the design of electoral rules in the early 1990s. She provides evidence to conclude that regional elites representing regional administrative power centers, were the main actors in this bargaining game between center and periphery.

Yet, over time, the regional administrative networks created by the Soviet Union have weakened dramatically in some places while remaining strong in other places. In Kyrgyzstan, due to the weakening of the state, the resources available for distribution by regional elites, such as governors and akims, are not what they used to be. The key for understanding these differences are the divergent economic policies adopted by the post-Soviet leaderships in Central Asia. Akaev’s rapid political and economic reform program had a profound impact on the social basis of elite networks competing for political power. This can be contrasted with the closely state-controlled and very slow economic reforms introduced by the leadership in Uzbekistan. These divergent trajectories have had contrasting effects on the continuity of regional-administrative networks. In Uzbekistan the state is more intact at the regional level and the dominant politico-economic networks still largely revolve around competing regional networks, while in Kyrgyzstan privatization and a dramatically weakened state on the regional level have reshaped the relations between the center and the periphery. Today, the most important resources to control in the periphery are semi-illegal or illegal financial

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<sup>191</sup> Jones Luong, *Institutional Change and Political Continuity in Post-Soviet Central Asia*, p. 52.



flows that are legitimized through the political arena, most notably the parliament.

The argument advanced in this study is that the most appropriate lens through which to understand politics and state building in Kyrgyzstan is the logic of clientelism. The concept of clientelism was first applied by anthropologists to the study of peasant communities, and later it was used by political scientists with respect to developing countries in Africa, the Middle East, South Asia and Latin America. Both kinship- and regional ties fit under a clientelistic framework. By refraining from approaching clans and regional-administrative networks as clearly delimited organizations, and instead viewing them as potential factors shaping the nature of clientelism, the subsequent task is to identify what concrete informal ties and practices clientelistic networks are based on. In this sense, there exists a catalog of potential sources of clientelism, including family, clan, tribe, regionalism, ethnicity, friendship and financial exchange. In post-Soviet Kyrgyzstan, a society in rapid transformation, the character of clientelism is changing; shedding elements of the old system but simultaneously invoking new elements. Whereas features of clan identities and regionalism are part of this mix, this study nevertheless suggests that these are not the principal factors. Two other factors are more important for understanding how clientelistic pyramid networks are tied together and shape politics in contemporary Kyrgyzstan – traditional family ties (not clans) in conjunction with modern monetary ties.

### **Alternative to the Rule of Law: Personalized Influence Games**

Rather than impartial rule of law, there is an alternative legal order of personalized influence games. The stability of this order that first arose under Akaev and continued under Bakiev, is dependent on the ruler's strength in relation to other potentates. An illustrative point is the period after Akaev's demise, when the power system initially was upset due to changes in the relative advantages among competing patronage networks which produced instability at the system level. In the immediate power vacuum after the Tulip Revolution, a violent regrouping of influence groups took place. If the country had an informal order before the 2005 revolution, in which Akaev acted as the last arbiter, the clashes between different forces during the endless dem-

onstrations in 2005–7 indicated the absence of an accepted new political order, whether formal or not. Different influence groups were not competing for revenues controlled and distributed by the ruler, but fought to keep their holdings beyond the tentacles of the new leadership. As a result, resource control and, hence, political power was more horizontally than vertically structured.

However, as Bakiev managed to outmaneuver his rivals (both from the opposition and from within the government) and consolidate political power, the influence system built around the ruling family was reinstated, and expanded upon. The main influence games were reportedly played within the government or, rather, within the Bakiev family – one group coalescing around Maksim Bakiev, the other led by Janysh Bakiev. The president was forced to keep the balance within his family by playing them against each other in the distribution of economic and political resources.<sup>192</sup>

The system is highly personalized in that success is dependent on proximity to the president and his family circle. As a consequence, property rights are rarely protected by courts but are beholden the courtesy of the ruler's will and the shifting balance among competitors. Economic holdings can be protected if claimants in some way or another can demonstrate their commitment and willingness to serve the ruling family, and manage to find a mutually beneficial relationship with its representatives. In brief, rather than relying on due legal process, finding a so-called political roof (“krysha”) is ultimately the only way to protect rights. The “krysha” patronage system is a fundamental element of order. For businesses, the existence of multiple sources of protection has a somewhat leveling effect on the playing field, while the monopolization on patronage established by the Bakiev family created a very uneven playing field, in which having contacts to the presidential family ultimately was the only source of viable protection.<sup>193</sup>

In contrast to a predictable judicial order under the rule of law, the personalized influence system ensures very short term jurisdiction. In case an indi-

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<sup>192</sup> *Bely Parus*, 23 May, 2008; Nurshat Ababakirov, “Internal Struggles Mount in Kyrgyz Government,” *Central Asia-Caucasus Analyst*, May 28, 2008, available at [www.cacianalyst.org/?q=node/4870](http://www.cacianalyst.org/?q=node/4870)

<sup>193</sup> International Crisis Group, “Kyrgyzstan: A Deceptive Calm,” *Asia Briefing* 79, August 14, 2008, p. 10.

vidual becomes a political threat, protection is withdrawn. Thus, the right to profit on budgetary resources that has persistently been granted certain individuals and groups in contemporary Kyrgyzstan is always conditional. Against this background, the notion of a judicial branch of government makes little sense simply due to the fact that there can be no independent courts as long as the power system is constructed around personalized protection in exchange for personal submission or payment. These features are strikingly similar to Max Weber's observation of patrimonial justice: "All patrimonial service regulations ... are ultimately nothing but purely subjective rights and privileges of individuals deriving from the ruler's grant or favor."<sup>194</sup> This order is not reserved for the elite. The logic also extends to the broad masses. Protection for property exists through patron-client networks since the patron within the state apparatus is supposed to take care of and protect the interests of his supporters. In a legal dispute, the key determinant of the outcome is which part that can secure the highest level of state protection. According to a Kyrgyz criminologist with long-time experience in studying the administration of justice:

When a dispute between two parties over for example land ownership needs to be resolved, the process is not simply handed over to the courts. It requires a lot of additional work. Generally, the first thing a party in a case does is to look whether he/she has any relatives within the judiciary or other state bodies with the power to influence the outcome of the judicial procedure. If no such contacts exist, the second step is to use money. This often means using lawyers to pay judges. If both parties can secure support from relatives, or pay money, the winner is normally the part with the most powerful personal contacts or the ones who pay the most.<sup>195</sup>

An outstanding feature is the complete lack of distinction between public and private; what really matters are personal rights. No organizations, whether businesses, parties or any other organized interests are institutionalized, i.e. they have no identities that would make them survive beyond the private relations of the individual representatives claiming to advance certain inter-

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<sup>194</sup> Max Weber, *Economy and Society*, Berkeley: University of California Press, 1978, p. 1031.

<sup>195</sup> Author's interview with Kyrgyz scholar, Uppsala, June 2009.

ests, and all organizations are dependent on ties to the political power. On the surface, this may not appear that different from organized interest groups and their intimate connections to the state that has been well documented in the industrialized western world. Plenty of research has, for example, been devoted to the concept of corporate governance, in which businesses, trade unions and other organized interests are in close institutional symbiosis with the state. Yet, there is a fundamental difference between this corporatism and the type that may be identified in Kyrgyzstan. The interest groups exercising influence on the Kyrgyz state are non-institutionalized and permanently fluid since they do not reflect or advance the interests of wider professions and identities. These interests are robustly personalized and usually do not exceed the promotion of narrow private interests. Consequently, because of the lack of institutionalization and long-term security, the longevity of interest group access to influence is always uncertain. Therefore, this interrelationship tends to be highly predatory and directed towards short-term benefits, not long-term political strategies.

### **Alternative to the Tax State: Redistribution of Rents**

In Kyrgyzstan, out of necessity, all large economic entities are also political organizations. No business can survive without a state roof. As a result, the most successful businessmen are politicians and police generals. The following quote by Bakyt Beshimov, the former vice-president of the American University of Central Asia, captures the politics-business nexus: “Business has administrative resources, whereas power is money motivated.”<sup>196</sup> In a system based on controlling rents, the strongest politician needs to be the biggest business executive. By acknowledging this, the question of why criminality is so politically oriented in Kyrgyzstan is less mysterious. As wealth is a necessary precondition for the ability to hold political power, the criminal economy is targeted by political leaders. The same applies vice versa, since political protection is increasingly necessary for generating and protecting wealth, criminal interests are targeting influence over politics and the state. This process has reached the point where a distinction hardly makes

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<sup>196</sup> Bakyt Beshimov, “‘Authorities-Opposition’ Tandem in 2007,” *Kyrgyzstan Brief* 9, Bishkek: Institute for Public Policy, March-April 2007, p. 6, available at [http://www.ipp.kg/files/publications/KG\\_Brief\\_9\\_eng.pdf](http://www.ipp.kg/files/publications/KG_Brief_9_eng.pdf)

sense any longer. Since Kyrgyzstan is a resource poor state, the profits made from organized crime, especially the lucrative illicit drug trade from Afghanistan is very high in proportion to profits from legal economic activity, and it is very tempting for patrons competing for power to have a piece of this. The relative weight of the criminal economy in Kyrgyzstan can be compared to its large resource-rich neighbor, Kazakhstan, with a much stronger and more varied economy. There, the relative value of the drug trade is lower compared to the total economy of the country.<sup>197</sup>

The battle for control and the predatory redistribution of rents from gold, hydroelectricity and foreign aid is inherent in this system. The intensity of corruption in the few profitable sectors of the economy in Kyrgyzstan suggests what may be labeled a reversed resource curse. Exactly because there are so few resources available in Kyrgyzstan, competition and corruption in the attempt to control them appear to be even more destructive than in some of the resource-rich neighbors. In this context, extraction from the gold and hydroelectricity sectors has proven very difficult to optimize. Disputes have been going on for years regarding the privatization of the major hydropower plants as well as several lucrative gold mines. The reason is that given the enormous economic and political significance of these sectors, the individuals or groups that control these revenue sources tend to be the most powerful in the country; in other words, the one in charge becomes too powerful, which makes it very difficult to reach any agreements that could stimulate effective and long-term extraction of revenues. This argument appears perfectly applicable to neighboring Tajikistan, where the one who controls the aluminum smelter plant in Tursunzoda becomes the most powerful individual or group in the country.

While the existing system developed under Akaev, Bakiev took it further by expanding his control to more and more sectors in order to maximize the distribution of rents to his cronies.<sup>198</sup> The ruler's function in this scheme is based on allowing rent seeking in state enterprises in exchange for a substantial part of the rents. What is striking is that these rents are not used for ba-

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<sup>197</sup> Cornell, "The Narcotics Threat in Greater Central Asia," p. 52.

<sup>198</sup> Pauline Jones Luong, "Recurring Referendums: The Struggle for Constitutional 'Reform' in Kyrgyzstan," *PONARS Policy Memo No 108*, August 2010, p. 5, available at [http://www.gwu.edu/~ieresgwu/assets/docs/pepm\\_108.pdf](http://www.gwu.edu/~ieresgwu/assets/docs/pepm_108.pdf)

lancing the system. Rather than sharing revenues among a broader elite coalition, they are concentrated within a very small network around the president. The only effort at using rents for redistributive purposes is to keep some balance among the members of different branches of the presidential family tree and their close associates. In other words, the role of the presidency is not to strengthen public finances but to redistribute rents. Major revenue generating bodies like the customs, or the tax authority, but also the hydroelectricity system are vital sources of collection of revenues for personal profit, and tend to be controlled by individuals closely connected to the ruling family.

A broader political economy perspective on this subject is in order. In the first decade after the fall of the Soviet Union, the relationship between the state and the economy in Kyrgyzstan, as in all post-Soviet countries, was approached by analyzing how the state interacts with the market and its role in generating economic growth. At the start of the second decade, attention increasingly shifted to the reverse relationship – how economic forces interact with the state. A path-breaking investigation by a group of scholars affiliated with the World Bank made a distinction between administrative corruption (bribery) and high-level political corruption (what they labeled state capture). The study's conclusion was that state capture by private firms could be observed throughout the post-communist sphere. When private interests have hijacked a state, administrative decision-making, legislative procedures, court verdicts, and state policy in general primarily serve special interests rather than the population as a whole.<sup>199</sup>

The state capture approach has some merit to understanding Kyrgyzstan, but the message conveyed in this study is that at the time of approaching the start of the third decade of independence, the logic needs to be taken a step further by acknowledging that the separation between politics and the economy generally assumed to exist in Kyrgyzstan is an artificial one. The fusion of economic wealth and political power holds implications for how to understand this state, its stability and the prospects for change. In research on the

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<sup>199</sup> Joel S. Hellman, Geraint Jones and Daniel Kaufman, "Seize the State, Seize the Day: State Capture, Corruption and Influence in Transition," *World Bank Policy Research Working Paper No. 2444*, Washington, D.C.: The World Bank, September 2000.

modern western state, the economy and the polity are usually studied as two separate spheres, clearly distinguished from each other; the effects of one on the other are often teased out by holding them constant. To a certain extent this separation reflects the real situation, since for many businesses politics is an unfamiliar arena, and vice versa. However, this logic does not apply to contemporary Kyrgyzstan. To the contrary, here politics is business and business is politics. The Kyrgyz elite are equally familiar with politics as business, and failing to acknowledge that connection as the fundamentals for rule is likely to produce flawed analysis both in terms of the political system and the economic system.

That said, the key appears to be the supremacy of politics. The one who controls the state and its constitutive organizations uses this leverage to construct economic monopolies. Likewise, those who start out their careers in the business field, subsequently, enter politics to protect their holdings and monopolize them.<sup>200</sup> Indeed, it is interesting to note that currently in Kyrgyzstan the latter category has come to dominate. To illustrate, the leading figures in the brand new government formed in December 2010, including Prime Minister Almaz Atambaev, the first Deputy Prime Minister Omurbek Babanov and influential Ata Jurt leader Kamchibek Tashiev all made themselves a name as successful industrialists before entering politics to combine business activities with political influence. Thus, the state is the arena through which wealth and status are assured. From an economic perspective, what has emerged in Kyrgyzstan is not a market-oriented capitalism but a politically-oriented capitalism.<sup>201</sup>

### **The State as a Marketplace**

While the attention paid by elites in post-communist societies to the economic assets of the state has been extensively documented by scholars, the subsequent marketization of the state itself has been far less examined, i.e. when the political and administrative offices and resources rather than the economic resources of the state turn into market commodities. Indeed, in resource-poor Kyrgyzstan, the primary market is not located in the economy,

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<sup>200</sup> For a general discussion, see North, Wallis and Weingast, *Violence and Social Orders*.

<sup>201</sup> See James C. Scott, *Comparative Political Corruption*, Englewood Cliffs, NJ: Prentice-Hall, 1972.

but in the political domain. The assurance of influence and power as well as access to goods and services through the use of informal monetary exchanges has been dramatic in post-Soviet Kyrgyzstan. In its most complete form, a state primarily constructed around this mechanism is analogous to the marketplace. While the political and administrative market in Kyrgyzstan certainly is not an impersonal market since personal contacts are also needed in order to conclude agreements, this is perhaps not that different from economic markets where insider information and personal contacts are important features.<sup>202</sup> The following quote from a law enforcement official suggests the complementarities:

I was recently offered a position in the presidential administration's law enforcement department by a friend of mine. He said that I could get the position for no more than 5000US\$ considering our good personal relationship.<sup>203</sup>

To understand the significance of personal contacts in granting access, the marketplace must be thought of in broader terms than a one-time transaction, for it is characterized by repetitive transactions; there is more to the state as a marketplace in Kyrgyzstan than just buying or selling a post, commodity or service. Indeed, the key is that purchasers do not just buy a commodity, but posts that are used for collecting proceeds over time and continuously shared with superiors. In this context, it is necessary for prospects to be able to demonstrate a credible commitment to deliver proceeds over time. In this light, tangible resources of personal connections and loyalty are important for ensuring reciprocal exchange. As a Kyrgyz politician argues: "In the most lucrative administrative positions in customs and tax administration and law enforcement agencies on national, regional and local level, usually nominees should pay in advance and after appointment provide money regularly each month to recruiter and boss."<sup>204</sup>

An analogy to a franchise organization is applicable. The official pays a lump sum fee for the right to officialdom and is further obliged to provide an annu-

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<sup>202</sup> Mark Granovetter, "Economic Action and Social Structure: The Problem of Embeddedness," *American Journal of Sociology* 91 (3), 1985, pp. 481–510.

<sup>203</sup> Author's interview with official in the Ministry of Internal Affairs, Bishkek, May 2007.

<sup>204</sup> Author's correspondence with former member of Kyrgyz parliament, January 2011.



ity of the proceeds earned and subordinates himself to the nearest boss.<sup>205</sup> Another useful analogy for this arrangement is that of a license system. For obtaining the license, the licensee is required to provide the combination of paying a fee and proving a tangible capability (loyalty). As licensees, high level political officials are given permission to benefit from activities that are legally prohibited, such as profiting on governmental budgetary resources and secure comparative advantages for their business holdings. As licensees, street level officials use their positions in the administrative apparatus to offer services, that according to law should be free of charge, in return for payments. When officials purchase posts they acquire access to selling the “resources” under their authority. Thus, while most people can bribe themselves off the hook, not everyone are entitled to control or participate in the sale of “public” goods and services.

The sale of office has a pyramid structure: The leader sells to ministers or regional governors who release offices for sale at subordinate levels, and down to the street level officials who collect from citizens and businesses. It is hardly surprising that a similar dynamic is said to exist in profitable state-owned companies (for example mining, hydroelectricity, telecommunications and transportation). According to interviewees, for individuals who do not participate on market terms, it is difficult to advance and have a successful career. As one said:

If you do not take money, they want to remove you, because, then, you are uncomfortable for many people. And the market approach is very comfortable for many people. If there is a person who wants to pay for a position but there is an official refusing to accept payments, that official blocks the functioning of the system.<sup>206</sup>

A former member of the Kyrgyz parliament echoed this: “It is very difficult to survive unless you take part in this [corruption]. You become isolated. Both politicians and people look upon you as a difficult person.”<sup>207</sup> For the

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<sup>205</sup> For an analysis of franchise organizations, see Seth W. Norton, “An Empirical Look at Franchising as an Organizational Form,” *Journal of Business* 61 (2), 1988, pp. 197–218.

<sup>206</sup> Author’s interview with Kyrgyz scholar, Washington, D.C., September 2010.

<sup>207</sup> Author’s interview with former member of parliament., October 2010.

operation of the state, this market logic holds a number of significant implications.

First, office is an investment much like an investment on the stock market or the real estate market. The decision to invest is largely calculated on the basis of immediate profits to be made and follows the logic of return on investments (“otbit’ dengy”). As people expect returns on their investments, public goods become privatized. Demand for office depends on the prospects of extraction. In the police system, for example, the competition for office is much higher in the traffic police than traditional police positions like criminal or traditional investigative police work.<sup>208</sup> Other particularly profitable sectors include customs, tax inspection and the financial police. As a former customs official acknowledged: “I sold my car so I could buy a position in the customs service.”<sup>209</sup> In fact, in some cases the expectations of considerable payoffs even mean that people put themselves in debt to buy an office.

A second noticeable feature of the state market in Kyrgyzstan is that it is a short-term investment, or at the very least a potentially risky investment. Due to frequent rotation at the highest echelons of state power, there is the constant risk that purchasers will be removed from their posts and the offices are again set up for sale. From 1990 to the end of 2010, Kyrgyzstan has had no less than 19 different cabinets of ministers. When a new minister is appointed reshuffles regularly follow from offices being put up for sale again. As a result, there is no distinction between political and administrative offices, since public administration is thoroughly politicized. As noted in a report on civil service: “Every newly appointed official in Kyrgyzstan brings along ‘his own’ people and creates a corporate culture which favors him.”<sup>210</sup> In the face of constant risk of removal, officials are tilted towards acting according to a short-term rationale of how much they can extract from their administrative position as quickly as possible. Long-term thinking is virtually absent, since there is no point in calculating extraction over time. The position may

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<sup>208</sup> Author’s interview with former Professor at the Kyrgyz Police Academy, Bishkek, July 2009.

<sup>209</sup> Author’s interview with former customs official, Bishkek, July 2009.

<sup>210</sup> Esenbek Urmanov, “Civil Service Today: Problems and Solutions,” *Kyrgyzstan Brief 2*, Bishkek: Institute for Public Policy, January 2006, p. 40, available at [http://ipp.kg/files/publications/KG\\_Brief2.pdf](http://ipp.kg/files/publications/KG_Brief2.pdf)

at any time become unavailable, hence the destructive short term extraction exists on all levels, since officials need to have their money returned quickly. According to a former Deputy Minister, “you can buy the title, but you cannot buy a guarantee that you will possess it long enough.”<sup>211</sup> Thus, similar to the economy across the former Soviet Union, where scholars have documented the emergence of property rights without (formal) protection, the political and administrative market in Kyrgyzstan displays a similar logic. Office is treated as private property, but protection is highly personalized and relates to the ability to secure protection through high-ranking officials, not laws. From this perspective, anti-corruption campaigns and personnel rotation get a specific meaning, and should be seen as part and parcel of a ruling technique rather than sincere efforts at eradicating the misuse of public power in the political system.

Third, when financial motives and payment capacity exert a considerable influence on the logic of recruitment and define a specific type of career system, the boundaries of the state become decisively blurred. Naturally, this has negative effects on the professional quality of the state, since personnel is not recruited and promoted on the basis of professional merits, but awards the one who is skillful in extracting from office. In comparison with the traditional practice of employing individuals on the basis of kinship-ties, one may argue that market criteria advance social mobility. However, a valid counter-argument would be that this is not the most desirable form of social mobility, and it strongly contributes to the emergence of a state without any clear boundaries. The practice of selling offices only furthers mobility up to a certain point since it reserves posts to people in possession of money. As a result of the prominence of money over merits, post-Soviet Kyrgyzstan has seen a steady erosion of the quality of governance as capable and educated people increasingly have been excluded from office. This is particularly the case with the educated part of the younger generation, who often graduate from universities abroad, but their services are not in demand at home and they tend to either remain outside the country or, if they return, work in non-state organizations. This framework also helps us understand the lawlessness in public administration. Because money matters greatly in deter-

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<sup>211</sup> Author’s interview with former Deputy Minister, February 2011.

mining appointments to political and administrative offices, income from criminal activity is a real source of access to the state.

In fact, the major dividing line inside the state apparatus runs along profitable and non-profitable sectors.

Of course, money is only paid for those posts that may bring future dividends in the form of direct cash inflows or the possibility of lobbying, or cover-up of businesses. Positions are paid for primarily in public companies, natural monopolies in energy, railway, telecommunications, airport, mining company, where it is possible to earn money through tendering, purchasing or selling assets. Or for positions in the law enforcement system where the money is returned through bribery or extortion. All other positions could also be sold, but they are no longer considered to be that attractive and the money cannot be recaptured that easily and quickly.<sup>212</sup>

Fourth, money circulating from the trade in offices is being moved between the private pockets of state officials. Since it does not reach the state treasury, the government budget naturally suffers. Due to the organization of the state as a marketplace, the term “public goods” is a misrepresentation since these services in reality qualify as private goods: access to them requires informal monetary payments. As for the market of public goods, the participating parties are public officials, who supply them to the demand side – the population – in exchange for unofficial payments. In sum, protection and jurisdiction are private goods: you have access to them as long as you are willing to pay.

Finally, the pure economic consequences of this system must be noted. When individuals invest in public office with the purpose of turning it into profit, this comes at the expense of investments in productive commercial activities; finances that could flow into private sector businesses are instead circulating unofficially among state officials. This point can be concretized by comparing the ethnic Kyrgyz with the very substantial ethnic Uzbek minority in the South of the country. Political and administrative offices are in practice monopolized by Kyrgyz, while Uzbeks to a very large extent are barred from holding public office. In southern Kyrgyzstan, Uzbeks are forced

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<sup>212</sup> Author’s interview with former Deputy Minister, February 2011.

to engage in productive activity, and dominate in the economic life, in particular trade and services.<sup>213</sup>

From a historical perspective, Kyrgyzstan is not a unique case. In a comparative study of the sale of offices in the seventeenth century, Koenraad Swart notes that it presented a phenomenon common to many countries in Europe, Asia, America and Africa, although it varied considerably in forms and extent across countries.<sup>214</sup> Nevertheless, the Kyrgyz example is different than most previous historical experiences for one principal reason – the motive for selling and buying office. Take the example of Sweden, where the sale of office was a fairly widespread practice at least up until the early- and mid-nineteenth century, but purchasing an office was primarily motivated by status and prestige, and even when it was more economically motivated, the practice seems to have been more of a long-term insurance since offices, when purchased, often were held for life. The practices in contemporary Kyrgyzstan display another motive. Here, the chief purpose of purchasing offices is the expectation that they will provide an immediate pecuniary interest on investments. Offices are sold and bought on short-term, and is not that different from quick trading on financial markets.

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<sup>213</sup> This is not an uncommon phenomenon, and parallels can be drawn to the situation of the Jewish communities in European history, Lebanese immigrants in West Africa, the Indian diaspora in East Africa, Chinese minorities in East and Southeast Asia and Armenians in the Ottoman empire.

<sup>214</sup> Koenraad W. Swart, *Sale of Offices in the Seventeenth Century*, Utrecht: Martinus Nijhoff, 1949, pp. 117–18.

## Beyond Akaev and Bakiev: Is a Fresh Start Likely?

Much like the Tulip Revolution, the removal of Bakiev in April 2010 raised hopes of an opportunity to break with the past and embark upon a new development path. Yet, the initial optimism was quickly replaced by despair following the aftermath of serious disorder culminating in June, when, according to official figures, deadly ethnic riots in southern Kyrgyzstan took the life of some 470 people and displaced more than 100,000 people.<sup>215</sup> After this tragedy, on June 27, a new constitution introducing a semi-parliamentary political system was approved in a referendum. The subsequent parliamentary elections were held on October 10, 2010 and conducted in a calm atmosphere. These were the first elections in Central Asia to be considered by international observers as “free and fair.”<sup>216</sup> The fact that the elections did not produce any clear winner but several closely matched parties confirmed that no faction was able to control the process through administrative resources as had been the case in the past.<sup>217</sup> The elections inspired some observers to talk about a historical watershed of democratic politics and parliamentarism in Central Asia; as a democratic breakthrough. If the elections were a success, why worry? In order to assess the likelihood of real change it is nevertheless useful to evaluate the behavior of the post-Bakiev political elite.

### Redistribution of Assets

Immediately after April 7, local observers noted that distribution of government portfolios, business takeovers, preparations and jockeying for positions ahead of the planned elections were taking place among the members of the

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<sup>215</sup> Kyrgyzstan Inquiry Commission (KIC), *Report of the Independent International Commission of Inquiry Into the Events in Southern Kyrgyzstan in June 2010*, [www.k-ic.org/images/stories/kic\\_report\\_english\\_final.pdf](http://www.k-ic.org/images/stories/kic_report_english_final.pdf)

<sup>216</sup> OSCE/ODIHR, “Statement of Preliminary Findings and Conclusions,” October 11, 2010, available at [www.osce.org/odihr/documents/72018](http://www.osce.org/odihr/documents/72018)

<sup>217</sup> The distribution of the 120 parliamentary mandates were as follows: Ata Jurt 28; Social Democratic Party (SDPK) 26; Ar-Namys 25; Respublika 23; Ata Meken 18.

post-Bakiev provisional government. The appointment of a new head of the customs service is illustrative. In one week, three different persons were nominated to the position, each of them backed by three different deputy prime ministers in the interim government.<sup>218</sup> In the end, Kyrgyz businessmen closely familiar with the customs sector alleged that the winner of the prize was the one who had paid a US\$100,000 bribe to one of the deputy prime ministers.<sup>219</sup> As a Kyrgyz expert sighed, “new people, the same practices.”<sup>220</sup>

The competitors for power also engaged in attempts to redistribute wealth and power through hostile takeovers. For example, media outlets like Channel 5 and the news information agency *24.kg* were raided by teams belonging to competing politicians. Similar practices have been reported in other spheres, with a notable example being the controversy surrounding the mobile phone company Megacom. Other conspicuous cases concern the banking system, where several banks have been put under opaque special administration by the National Bank. The purpose appears clear: to bankrupt and nationalize these banks.<sup>221</sup> The continued importance of external rents for the survival of the political elite in post-Bakiev Kyrgyzstan is further suggested by the testimony of one director of a private company in the fuel industry. After his company declared its interest in the re-opened tender initiated by the U.S. Department of Defense for the supply of jet fuel to the U.S. airbase at Manas International Airport, he was quickly approached by one of the senior members of the interim government who wanted to acquire the contract by using his company as a shell.<sup>222</sup> All these concrete cases are part of a larger redistribution of property ongoing since April 2010.

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<sup>218</sup> Shairbek Juraev, “The Third Restart: Challenges for Democracy in Post-Bakiyev Kyrgyzstan,” *PONARS Policy Memo No. 107*, August 2010, p. 2, available at [http://www.gwu.edu/~ieresgwu/assets/docs/pepm\\_107.pdf](http://www.gwu.edu/~ieresgwu/assets/docs/pepm_107.pdf)

<sup>219</sup> Author’s interviews with Kyrgyz businessmen Washington, D.C., September–October 2010.

<sup>220</sup> Author’s interview with former member of parliament, October 2010.

<sup>221</sup> *The Times of Central Asia*, March 24, 2011.

<sup>222</sup> Author’s interview with Kyrgyz businessman, Washington, D.C., September 2010.

### **Constitutional Reform and Parliamentary System**

Upon assuming power, the provisional government announced that the way of bringing Kyrgyzstan out of its crisis condition was to replace the old presidential system with a parliamentary form of government. The ensuing priority of the new leadership was to develop a new constitution allowing for these changes. Given the experience of Kyrgyzstan with two presidents who ruled the country for the benefit of their families, not the people, the idea is understandable: in order to fix the problem with one family monopolizing all political power and all economic resources, changing to a parliamentary system makes sense. The new constitution adopted in a referendum on June 25, 2010 also included particular measures to ensure that no single party would be able to hold power without forming some sort of coalition with another party.

But a parliamentary government is not a miracle cure, and it carries a number of potential risks, threatening the likelihood of success. First, the party system is extremely weak. More or less every politician seems to feel the need to have their own political party, and political parties are mushrooming. But these parties usually lack any real political content, in terms of ideology, economic programs, or as representatives of wider interest groups. Obviously, part of the reason is that the electoral system has provided weak incentives for party building. Yet, as of now, a closer look at the composition of parties reveals that in essence, they are shells for competing patronage pyramid networks. At the top of the party, there is the chief. At the bottom, his core support base consists of extended family members and people from the leader's native village. Recruitment of party staff on the middle level of the party hierarchy can be based either on close personal ties or be more akin to contractors who offer their services in exchange for promises of rewards. An example could be a mid-level government official who is promised a position at the highest level of the state in case the party comes to power. Another example may be a businessman in possession of a couple of shops but is promised an entire market in case of the leader's ascent to power. At the highest level, the leader is forced to broaden his political appeal by forming unions with other leaders of powerful families. These alliances tend to be very pragmatic, loose and based on financial incentives. In this context, it is



not uncommon for candidates to purchase representation on party lists.<sup>223</sup> If competing clientelistic networks took the form of clans in earlier Kyrgyz history, now similar hierarchical networks are labeled parties. In short, it is clear that the formal political system very easily develops into something that is very different from its original meaning.

It may also be argued that the provisional government's obsession with constitutional reform and elections, at the expense of addressing any of the real concerns of the public, proved to be a serious misjudgment. Indeed, the main concern of the citizens is not the form of government, but rather ensuring basic economic and social security. This should arguably lead to a clear sequence of priority: the state must first get its core functions in place, such as the provision of elementary law and order, before successfully constructing a viable form of government. The failure of Kyrgyz leaders to make this priority, and the attention deficit to basic security needs, meant that the provisional government did not address the escalating tensions within society, indirectly leading to the devastating violence between ethnic Kyrgyz and ethnic Uzbeks. It is against this background that the outcome of the parliamentary elections in October 2010 must be seen. The emergence of the Ata Jurt party, comprised of many former Bakiev-era high level officials, as the biggest party in the parliament, can hardly be interpreted in other terms than a vote of mistrust in the performance of the post-Bakiev provisional government.

Finally, the actual process of forming a viable government is telling. This proved to be an arduous task to begin with, obstructed by the political aspirations of the leaders of the five parties that gained representation in the legislature. After a month of political stalemate following the elections and no signs of tangible progress, President Otunbaeva intervened in an effort to break the deadlock. She assigned the second largest party – the Social Democratic Party (SDPK) – the mandate to form a coalition. On November 30, three of the five parties – SDPK, Respublika and Ata Meken – agreed on forming a government. However, two days later, the coalition split after the parliament rejected Ata Meken leader Omurbek Tekebaev's candidacy as

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<sup>223</sup> Zamira Sydykova, "Power to the People?" *Carnegie Endowment for International Peace*, September 10, 2010, available at <http://carnegieendowment.org/publications/index.cfm?fa=view&id=41539>

Speaker of parliament. Following this failure, Otunbaeva instructed the Respublika party to have a second shot at forming a governing coalition. The efforts bore fruit and on December 15, a new government was finally approved after eight months of provisional rule. The majority coalition comprised Respublika, SDPK and Ata Jurt and holds 77 of 120 seats in the legislature. The leader of the SDPK, Almaz Atambaev was elected as the new prime minister; Respublika's leader and the main broker of the agreement, Omurbek Babanov, took up the post as first deputy prime minister in charge of economic affairs, while prominent Ata Jurt party member Akhmatbek Keldibekov was made speaker of the parliament. Thus far, there is little evidence to suggest that the coalition is addressing any of the country's real concerns. Hit by continuous infighting, its sustainability appears highly fragile.

### **Curbing Corruption: Does the Form of Government Matter?**

Another factor that cannot be avoided in a discussion on the future of Kyrgyzstan is the broad concept of corruption.<sup>224</sup> Admittedly hardly any topic has caught the amount of attention among students or practitioners of development in the post-Soviet region as corruption. Research has demonstrated that corruption is a "sticky" phenomenon: once it has taken root, even if condemned, it is hard to eliminate. Agents at the bottom of the system – "street level" tax officials and policemen – believe that most of their colleagues are corrupt, and it is therefore of little use to be the only one to change one's behavior. While political leaders may have the resources necessary for launching successful anti-corruption measures, they are normally the ones that benefit the most from the system and have few incentives to change it. Thus, despite the massive attention that has been paid to combating corruption around the world during the last decade, the success stories are very few.<sup>225</sup> The example of the only post-Soviet state to successfully combat corruption – Georgia – reinforces the importance of a determined and strong leader-

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<sup>224</sup> Corruption is normally defined as various forms of "misuse of public power for private gain" (Susan Rose-Ackerman, *Corruption and Government: Causes, Consequences, and Reform*, Cambridge: Cambridge University Press, 1999, p. 91).

<sup>225</sup> Bo Rothstein, "Anti-Corruption: A Big-Bang Theory," *QoG Working Paper 3*, 2007, available at [http://www.qog.pol.gu.se/working\\_papers/2007\\_3\\_Rothstein.pdf](http://www.qog.pol.gu.se/working_papers/2007_3_Rothstein.pdf)

ship.<sup>226</sup> Given that corruption can hardly be fought from the bottom, a top-down approach appears to be the only alternative, as suggested not only by Georgia's case but the few earlier successful cases, such as Hong Kong and Singapore. Nevertheless, these cases are exceptions rather than the rule since in highly corrupt systems, such strategies in fact mean breaking with the factors that constitutes the very basis of political power.

From the perspective of eradicating corruption, Kyrgyzstan's introduction of a parliamentary system represents a competing model. Advocates of the parliamentary system argue that introducing greater competition in the system enhances the prospects for effectively limiting corruption compared to a personalized presidential system, in which the winner usually faces few constraints in monopolizing corruption.<sup>227</sup> In short, by increasing competition in the political economy, the formation of more diverse alliances and an increase in the demand for more universalistic rules may gradually be stimulated, at the expense of the particularistic personal relationships defining the country at present.

But a parliamentary system also carries potential risks. First, since power is more diffused and no actor may be in the position to enforce the rules, corruption may become even more short-term and predatory in nature. Second, diffusion of authority also increases the likelihood that more corrupt cases are revealed, since no one can monopolize control over the state or media. While obviously a positive factor in principle, increased openness may also have the reverse effect by increasing public perceptions of corruption which in turn may erode the trust and legitimacy of the parliamentary system among the citizens. In brief, at least in a short term perspective, it is difficult to see corruption successfully controlled in Kyrgyzstan under a fragmented parliamentary system.

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<sup>226</sup> The success in Georgia has to a certain extent come to the price of legal procedures. Yet, as pointed out by two scholars: "Western policy and academic circles have yet to devise ways to reverse state capture through means that would conform to due process requirements" (Svante E. Cornell and Niklas Nilsson, "Georgian Politics since the August 2008 War," *Demokratizatsiya* 17 (3), 2009, p. 253).

<sup>227</sup> Anders Åslund, *How Capitalism Was Built: The Transformation of Central and Eastern Europe, Russian, and Central Asia*, Cambridge: Cambridge University Press, 2006.

Although corruption has truly negative consequences, the discussion would benefit from acknowledging its multifaceted nature. Contemporary studies on the state and corruption generally take it for granted that endemic corruption represents a distortion of the state and its institutions, or in the extreme case is a symptom of state failure. In this vein, it has become increasingly popular to apply medical metaphors of disease to the phenomenon, such as the “cancer of corruption.”<sup>228</sup> Kyrgyzstan is no exception, as all three Kyrgyz presidents have talked about it as a “virus” (Akaev), an “evil” (Bakiev) or a “cancer” (Otunbaeva). Yet, with regard to Kyrgyzstan, the use of public power for private gain is so thoroughly entrenched on all levels that it hardly makes any sense to refer to it as distortions of the formal system. Rather than a symptom of sickness, corruption in Kyrgyzstan is better understood as the life blood of the system as it has evolved.<sup>229</sup>

While hardly productive, it should be noted that broader layers of society consider more subtle forms of bribery as a smooth method to settle issues, since it is quick, easy and saves costs, monetary as well as temporal, which the formal bureaucratic procedures demand. The seductive side is described by a businessman: “I am satisfied with how things work. It is convenient when any issues can be resolved quickly. Going through the law is too difficult and takes too much time.”<sup>230</sup> In other words, while people will surely complain about harassments from policemen and tax officials extorting money, they will be equally upset if the same officials refuse to accept a bribe if they are caught speeding or keeping double accounts.

From the perspective of corruption as an inherent part of the operation of the state and the basis of a distinct political order, the problem may rather be framed in the following terms: Are some forms of corruption more harmful

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<sup>228</sup> It was the World Bank’s president James Wolfensohn who first used the metaphor of the “cancer of corruption” in 1996, see Elizabeth Harrison, “The ‘Cancer of Corruption’” in Italo Pardo (ed.), *Between Morality and the Law: Corruption, Anthropology and Comparative Society*, Aldershot: Ashgate, 2004, p. 138.

<sup>229</sup> In a 2006 Gallup World Poll of perceptions of corruption in former Soviet countries, 8 out of 10 Kyrgyz citizens perceived corruption to be worse than during Soviet times, the highest percentage among all former Soviet republics. In the 2008 Transparency International Index over global corruption Kyrgyzstan ranked as number 166 out of 180 countries. Finally, in 2009 Forbes magazine placed the country as the fourth most corrupt in the world.

<sup>230</sup> Author’s interview with Kyrgyz businessman, Bishkek, July 2009.

than others? In Kyrgyzstan, as in most other states with pervasive corruption, two principal forms can be distinguished: bribery and nepotism. These two practices capture the two dominant processes observable in contemporary Kyrgyz society – the traditional force of family ties and the modernizing force of money. For political and social stability, there is evidence to suggest that nepotism is more harmful than money. In the 1990s, Akaev managed a fairly inclusive ruling coalition, and several elites could benefit financially from their access to political power. Over time, however, the apex of power gradually narrowed, and became concentrated in the hands of the presidential family and a few loyal high-level officials. In particular, powerful elites from the south of the country were increasingly excluded from power and thus naturally constituted the backbone of the opposition. Bakiev's tenure in power demonstrated a similar pattern as he increasingly constructed a one-family state. To support the family's hold on power, he promoted southerners to top positions at the expense of the long dominating elite from the North, privileged under Akaev. The consequences of this cadre policy proved to be seriously destabilizing. Thus, the leaderships of Akaev and Bakiev clearly suggest the shortcomings and dangers associated with excluding some communities and interests. In short, nepotism is more likely to spur popular discontent and even violence than market corruption which gives access to all who can pay.

### **Priorities**

What are the most urgent issues that need to be addressed? After two decades of announcements and promises, there is a need to shift political focus to implementation. First of all, this requires strong political will and determination among the leadership. There is a case for arguing that the government needs to get its priorities right. While the idea and focus on constitutional reform makes sense, the most pressing problem of Kyrgyzstan today is not the form of government, but the will and ability among the political elite to actually govern the country. The systematic lack of attention to the real concerns of the people has resulted in the complete loss of popular trust in politicians, eroding the state's public legitimacy. Consequently, alternative authorities, including criminals, are increasingly seen as a substitute for irresponsible politicians who only care about their private interests. Thus, in

truth, as long as this situation remains, changing the formal system of government alone is not sufficient for solving any of the real problems in the country, or to generate the will and ability to govern responsibly.

The Kyrgyz elite must adjust to present conditions and put resources into ensuring elementary law and order and other basic securities. One recalls the argument put forward in Federalist No. 51 by James Madison, the principal author of the U.S. Constitution: “you must first enable the government to control the governed; and in the next place oblige it to control itself.”<sup>231</sup> In this context, there can be no substitute for the need to reform public administration. This point was systematically brought up from several angles in a 2005 paper by Koichumanov, Otorbaev and Starr pointing out the path forward following the Tulip Revolution. All the major points brought forward in that paper remain perfectly relevant for the current situation.<sup>232</sup>

Judicial reform must be another priority. As long as there is no independent judiciary, the prospects for breaking the real factors of political power, including redistribution of rents, influence games and marketplace practices and nepotism, are not encouraging. Officially, there has been some attention paid to the problem. Already President Akaev undertook several overhauls of judges. However, paradoxically, the outcome appears to have been that professional judges were dismissed since these appointment procedures became lucrative sources for corrupt exchanges. Likewise, Bakiev twice overhauled judges at all levels of the court system with little effect other than “making them even more corrupt since they did not know how long they would last.”<sup>233</sup> The arbitrariness continued when the interim government came to power and single-handedly dissolved the Constitutional Court and dismissed a large number of judges without bothering to find much of a legal justification for this decision.

The key lingering question is nevertheless whether the new leadership is willing to fundamentally alter the nature of the Kyrgyz state. The early enthusiasm of the 1990s and the feeling among the public of belonging to a Kyr-

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<sup>231</sup> Alexander Hamilton, John Jay and James Madison, *The Federalist Papers*, New York: Bantam Dell, 2003, p. 316.

<sup>232</sup> Koichumanov, Otorbaev and Starr, “Kyrgyzstan: the Path Forward.”

<sup>233</sup> Author’s interview with former Kyrgyz Ambassador, October 2010.

gyz project of creating a free society – which President Akaev launched with some success in the early 1990s – currently seems a distant memory. Society is seriously disillusioned with the state and the concept of democracy as it has evolved in the last decade. Today, more than ever, there is a need to reintroduce a vision of, and a belief in, Kyrgyzstan and its future development. If anything, the failures of the previous administrations suggest the danger of continuing along the path of the last decade. If the political elite has learned from the past, the fates of Akaev and Bakiev should provide deterrence from the worst forms of nepotism and graft. Unless there is actual change in the motivation and behavior of the political elite, the only change likely to be brought about with a parliamentary form of government compared to a presidential system is that authority and corruption will break down from a single pyramid of power to several competing pyramids. Under such conditions, there will always be temptation and pressure to consolidate the control over the state and re-establish the power vertical. In light of Kyrgyzstan's previous experience, there is the risk that such process will be based on personal loyalties and family rule. Thus, the critical question is whether the semi-parliamentary system can work out in practice and lead the political elite away from the past.