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## From systematic crisis in the economy towards the revolution

## ОТ СИСТЕМНОГО КРИЗИСА В ЭКОНОМИКЕ - К РЕВОЛЮЦИИ

### Экономикадагы системдик кризистен - революцияга карай

*Abstract: the focus of the article is on the data published in Mass Media during 2005-2010, particularly, anti-national economic policy of former President of Kyrgyzstan Kurmanbek Bakiev. The policy pursued by him led the country to systematic crisis in economy and governance becoming basis for national revolution in April 2010.*

*Аннотация: в статье приводятся данные, опубликованные в СМИ КР в 2005-2010 годах и свидетельствующие о коррупционной и антинародной экономической политике К. Бакиева и его семейного клана. Такая политика привела к системному кризису в экономике страны и стала одной из важнейших причин народной революции в апреле 2010 г.*

*Аннотация: макалада 2005-2010 жылдарда маалымат булактарында жарык көргөн экс-Президент Курманбек Бакиевдин экономика жана башкаруудагы кыргыз улутуна каршы коррупциялык саясатын ачык баяндайт. Ошондой эле мындай саясаттын 2010-жылдагы революциянын негизи болгонун аныктайт.*

*Keywords: anti-national economic policy; systematic crisis; national revolution; stealing people's property; inflation; illegal privatization; energy crisis.*

*Ключевые слова: хищение народной собственности; рост цен; незаконная массовая приватизация; рейдерство; энергетический кризис.*

*Негизги сөздөр: улутка каршы экономикалык саясат; системалык кризис; элдик революция; мамлекеттик мүлктү массалык түрдө менчиктештирүү; мыйзамсыз менчиктештирүү; баалардын көтөрүлүшү; энергиялык кризис.*

On the seventh of April 2010 historical revolution took place in Kyrgyzstan which put an end to anti-national power of Kurmanbek Bakiev and his family who had come to power in 2005 after historical overturning result. But Kurmanbek Bakiev and his family easily forgot about his pre-

election promises and started to establish criminally corrupted power in the country and anti-national politics in all the spheres of social life.

The President Kurmanbek Bakiev and his family started to control almost all significant economical enterprises. Among them there were important national enterprises in Kyrgyzstan such as: "Kyrgyz Telecom", "National Electro Heating Station", "Mining Plant in Kara Balta", "Kyrgyz Gold", "Kyrgyz Gas Oil", "Uchkun", joint-stock company "Sever Electro", "Vostok Electro", "Osh Electro", "Djalal - Abad Electro", state enterprise "Distillery Kara-Kol", national airline company "Kyrgyz Air Lines", International Airport "Manas" etc. All the activities in above mentioned enterprises witnessed that Kurmanbek Bakiev and his family almost owned the government functions of power.

Newspapers wrote that most of properties of former President A. Akaev gradually became the ownership of president Bakiev's son. Another private enterprise, the Bishkek Champagne - Wine factory was sold for 800\$, the estimated cost price of which was more than 20 million US dollars. It is quite easy to assume who was the purchaser.

Seven out of nine members voted against the chairman of the Council of Directors of "Electro Heating station" S. Balkibekov for corruption and squandering funds of the enterprise in August 2005. Despite of being corrupted Balkibekov kept his position for many years. Another fact, the open criminal case against the General Prosecutor, A. Beknazarov was closed. At the same time the professional Osmon Bakiev, the director of Hydro Electro Station was dismissed from the office for no reason.

In the near future construction of Hydro Electro Stations "Kambarata -1" and "Kambarata - 2" were planned to be built for big amount of Russian facilities. Primarily for completing " Kambarata - 2" there was to be provided about 250 million US dollars. But before building Hydro Electro Station "Kambarata -1" there was preliminary payment provided about 1,5 million US dollars. The "Naryn Hydro Electro Kurulush" company, that earlier belonged to Aidar Akaev, was identified to construct these hydro electro stations. In order to give his son, M. Bakiev, the construction of two hydro electro stations many professional constructors were fired.

In May 2006 the Appeal to President of the Kyrgyz Republic Kurmanbek Bakiev was published in the newspaper "Alas" which

revealed inconceivable rise of price for cement at the Kant cement-slate plant. Previously, in March the cost of one sack of cement was 70 soms, one ton was 1400 soms and list of slate cost 70 soms. It turned out that within several months, at least by May 2006, the cost of one sack of cement rose up to 155 soms, one tone - up to 3100 soms. That time about 14% of the plan's block of shares belonged to Government and about one of three shareholders were citizens of the Republic of Kazakhstan. But later all 14% of state shares were sold out to private owners. And again the appellers considered that those 14% of state shares passed over to M. Bakiev. Appellers were sure that private ownership of Maxim Bakiev "Billon" which supplied natural gas to KSSP for 32 million soms tax free, and when his partner Sergei Kerich ran away, the criminal case was also closed. Realization of losses of gas in low price enterprises were under controle of Maxim Bakiev. "In such a way the son of president K. Bakiev, M. Bakiev, brought the biggest financial loss for the state" – was said in the Appeal.

Irina Zabneva wrote that in 2007 M. Bakiev forced businessman from Italy Giorgio Fiakkoni, the owner of SDS in Bishkek city, to sell "Kyrgyz Credit Bank". This case also directly pointed to the son of President Kyrgyz Republic and his connection with Latvian businessman Valeri Belokon, the owner of the bank "Iberus". Finally, Maxim Bakiev controled six large banks with amount of 80% of all national budget. For example, "Asia Universal Bank" was controled by M. Bakiev, it served 60 billion soms of country budget. Social Security Fund was served for 12 billion soms through this bank, too. The largest state income-earning enterprises such as: International Airport "Manas", "Temir Jol" and many others were served in this bank. According to businessman, founder of "Dordoi Bazary", A. Salymbekov, M. Bakiev forced him to sell the bank's share-package for the lowest price in the country.

"Kyrgyz Gas", "Kyrgyz Telecom", airport "Manas" almost all energizes, the largest branch of oil refueling "Bishkek Motors", gold mining field "Djeruyi", sugar- plants "Koshoi" and "Kaindi Kant", "Champaign - Wine Factory", electric bulb factory "Mailuu- Suu", TV channels "Pyatyi Kanal" and "NTC" were also controlled by M. Bakiev. According to A. Salymbekov, the next three years M. Bakiev demanded 50% of the market Dordoi Motors' share-package to be sold him. The largest share-package from 8% up to 13% and 13 leading enterprises in

Kyrgyzstan such as: International Airport "Manas", "Kyrgyz Telecom", "Sever Electro", "Kyrgyz Gas" were managed by the Kyrgyz Holding MGN Group, whose co-partners were M. Bakiev, Evgeni Gureevich, the latter a citizen of the USA, and a Russian business man M. Nadel. Thanks to the support of M. Bakiev, the Latvian businessman Valeri Belokon mastered the best business places in Kyrgyzstan. Aleksii Eliseev, a friend of M. Bakiev, deputy chief of Central Agency for Development, Investment and Innovation, had a leading position in this group.

In fact, corruption scheme of K. Bakiev and his close friends made money on legalization of illegal income, illegal privatization, illegal raiding grab of people's property, state property, which totally made up about 23 criminal cases against him. Total loss on all these cases, approximately made the amount more than 2 billion soms. Except, M. Bakiev who had practiced the so-called rollback money, «otkat», from all investors, including foreign, for decision making in the country, was about 30% - 50% from total amount of the project.

The audit of the Chamber of Accounts had checked the activities of Financial Ministry of the Kyrgyz Republic on budget realization for republican and local governments in 2007 and came to a conclusion that the work was't correctly done. Finally, the audit of the Chamber of Accounts' analyzed and concluded that the Financial Minister of the Kyrgyz Republic didn't control the admission of dividends from International Airport "Manas" (B.U. Sydykov) and Joint-Stock Company "Kyrgyz Gas"(I. Chudinov). The audit showed that in all these cases the Government lost quite a lot of money.

It is known that huge water resources and hydro electrical equipment were produced in the Soviet time in Kyrgyzstan. At present hydro electrical equipment as well as hydro engineering constructions need to be renovated. The main reason of such a situation is the corruption in the field of water resources.

As it was said by A. Jekshenkulov, a well-known politician and E.K. Omuraliev, former Vice-Prime-Minister, the Minister of Industry and Foreign Trade (1998-2000) that Kyrgyzstan in the years of low-water level didn't show such a level of water as it was in those autumn-winter seasons in the Toktogul Hydro Electro Station in 2008. E.K. Omuraliev

said it would take 2 more years to collect enough water for vegetative period and for the whole process of recovery.

In order to overcome the energy crisis in the country Government of the Kyrgyz Republic has made a decision to sell the energy company "Sever Electro", "Bishkek Teplo Set" and other enterprises to private owners. Almost all specialists in power engineering and economy, including ex-Prime-Ministers, (A. Muraliev (1999-2000), E. Omuraliev (1998-2000)) opposed the government decision considering that those power engineering complexes had potential to be able to work in the conditions of self-repayment and self-financing. Akbaraly Kabaev, experienced power installer, considered that the main energy losses happened because of absence of control and over exportation of water.

The Government announced, the main reason was not only in the low- water level in the Hydro Electro Station but in the rising process of droughts. Despite the authoritarian regime and political repressions, many representatives of national intelligentsia opposed objectively and stood up against the policy of Kurmanbek Bakiev on water resources.

Another case, the Electric bulb factory "Mailuu Suu" was sold private company "BABC" in tender, almost unknown company, for only 18 million US dollars, while there were other private enterprises offering substantially more money, f. e. industrial company "Avrora Lighting" offering 23.3 million US dollars, the Kazakh "Temir Bank" offering 26.5 million US dollars, "Allians Bank" offering 23.2 million US dollars. Most of them offered more than 5-8 million US dollars as compared to winning company. This gives another example how the tender processes were conducted during Bakiev regime.

The following nine months revealed financial violations that made amount of more than 210 million soms in 2008. All these cases revealed existing schemes and sources of systematic corruption in all the fields of economy and governance.

The coordinator of the "Akiykatchi" movement (For Reforms) Alikbek Djekshenkulov noted that, the state power in the country with its incompetent, illiterate and unclear politics brought down the government into systematic crisis.

A well-known entrepreneur Bazarbai Mambetov in his article "Monstrous Robbery of the Country in the XXIst century" expressed his concern on the parliament decision to ratify the agreement between the

Government and Joint-Stock Company "Kyrgyz Altyn" on the one hand and on the other corporation "Kameko" on the new conditions in the gold mining project "Kumtor" as of April 30, 2009. The main point of the agreement was the renting of the valley Kumtor in the size of 270 square kilometers by Canadian company until the end of the 21st century (hypothetically for such a "kind" payment of Canadians in the form of tenth part of gross income from Kumtor), which meant that Kurmanbek Bakiev took the same way as his predecessor A. Akaev.

According to famous economist B. Talgarbekov in 2005 the negative balance of Kyrgyzstan was 225 million US dollars, and in 2009 it constituted 1,5 billion US dollars which was covered by the annual money transfer from Kyrgyz migrants abroad (1,5-2 billion US dollars).

In this condition Kyrgyzstan was to become a country depending on foreign transfers and grants. The external debt increased twice as much compared to the period of 2005-2010. The budget deficit (13, 5 billion soms in 2010) systematically was covered by credits and grants, and funds from privatized state property, for example budget deficits was partially covered by Russian grant 450 million US dollars. Talgarbekov B. concluded if things went on like that the state would no longer exist. The Kyrgyz ex-finance minister Marat Sultanov stated that Kyrgyzstan's foreign debt was 2 billion and 300 million US dollars for 2010 which already meant 54% of GDP. According to Statistic Committee of the Kyrgyz Republic the amount of inflation was 20, 1% which brought the increase in the price for food in the country.

Finally, such a weak and corrupted economic policy of Kurmanbek Bakiev and his clan caused the increase in the price for food and consumer goods in the country, while the amount of salary, pension and different social payments were left on the same level. This social-economic frustration brought poor people from different regions of Kyrgyzstan to Bishkek streets to strike against the government and as a result - formed a strong public political consciousness which turned into the revolutionary movement by April 2010.

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