

EUROPEAN PARLIAMENT



Directorate-General External Policies

Policy Department

Note on

**The Political and Economic Situation in Kyrgyzstan
and
EU - Kyrgyzstan Relations**

Abstract:

This note has been prepared for Members of the European Parliament and in particular for the Delegation to the EU-Kazakhstan, EU-Kyrgyzstan and EU-Uzbekistan Parliamentary Cooperation Committees and the Delegation for relations with Tajikistan, Turkmenistan and Mongolia. It is also intended for the use of any MEPs who may be involved in election observation.

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CONTENTS

Page

EXECUTIVE SUMMARY	3
BASIC INFORMATION	4
I. POLITICAL SITUATION	5
II. ECONOMIC SITUATION.....	13
III. EU-KYRGYZSTAN RELATIONS	18
ANNEX	23
SOURCES	24

EXECUTIVE SUMMARY

A change of regime has occurred in recent weeks. Similarities with events in Georgia and Ukraine are not strong. Opposition leaders have moved quickly to restore order in both south and north of the country following instability after parliamentary elections and the collapse of the government of President Akayev. But the risk of further violence is serious with possible splits along ethnic and regional divisions. Other regimes in Central Asia are more authoritarian and are likely to resist strongly any attempts to spread democracy.

Parliamentary elections held in two rounds on 27 February and 13 March 2005 would have resulted in the confirmation in power of a government composed of parties supporting former president Akayev. Criticisms were made by the OSCE, especially in regard to access of voters to information, bias in the media, de-registration of candidates and inaccurate voter lists. The European Parliament sent two observers to the first round of these elections; these observers took part in the OSCE's activities in Bishkek and shared their colleagues' concerns in regard to buying of votes, rejection of candidates and media coverage. The Council of the EU issued press statements after both rounds regretting that the elections fell short of OSCE commitments and international standards.

Shortly after the second round of these elections, peaceful protests began which deteriorated into rioting and looting. At least five people died. The president fled to Russia and announced his resignation on 4 April, ostensibly to avoid a civil war. This resignation was accepted by the parliament on 11 April. The situation now appears to have stabilised. A new government has been formed under the leadership of Mr Kurmanbek Bakiyev, after discussions within the parliament. He has now been confirmed as prime minister and acting president. Initially the old parliament refused to give way to the newly-elected members but eventually did so. Mr Bakiyev's main rival, Mr Felix Kulov, who was at first appointed minister in charge of security forces, resigned on 30 March. New presidential elections are planned for 10 July 2005. Mr Bakiyev and Mr Kulov are likely to be the two main contestants in the elections of 10 July.

The former President of Kyrgyzstan, Askar Akayev, elected in 1991, was originally a figure of hope for the young nation as he was not a member of the Soviet *nomenklatura*. His democratic and liberal leanings, coupled with progress in economic reform, led to the country becoming known as the 'Switzerland of Central Asia'. Sadly, the image did not last: according to observers, President Akayev gradually took the same authoritarian route as that chosen by his Central Asian counterparts. By means of four constitutional referendums in particular, he strengthened the powers of the executive (of which he was head) to the detriment of the legislature. Moreover, according to NGO reports, the human rights situation worsened significantly after 1996. Members of the Opposition and of civil society (particularly journalists) have often been put under pressure, intimidated and sometimes even imprisoned.

In terms of foreign policy, the Kyrgyz Government has striven to maintain good relations with its four neighbouring states (Kazakhstan, Uzbekistan, Tajikistan and China), despite a number of territorial disputes arising from the borders imposed by the Soviets' with Russia (the former 'protecting power'); with the United States (particularly after the attacks of 11 September 2001); and with the EU. This policy seems unlikely to change.

The EU and Kyrgyzstan signed a Partnership and Co-operation Agreement (PCA) in 1995.

BASIC INFORMATION

Area: 198,500 sq km

Composition: 7 provinces (oblastlar, singular - oblasty) and 1 city* (shaar); Batken Oblasty, Bishkek Shaary*, Chuy Oblasty (Bishkek), Jalal-Abad Oblasty, Naryn Oblasty, Osh Oblasty, Talas Oblasty, Ysyk-Kol Oblasty (Karakol)

note: administrative divisions have the same names as their administrative centres (exceptions have the administrative centre name following in parentheses)

Government structure: republic

Acting Head of State:

Prime Minister: Mr Kurmanbek Bakiyev

Cabinet: Cabinet of Ministers appointed by the president on the recommendation of the prime minister: Mr Bakiyev is currently also prime minister; other ministers include: Daniel Usenov, acting deputy prime minister in charge of the economy; Ishengul Boldzhurova, acting deputy prime minister in charge of culture and social issues; Ismail Isakov, defence; Akylbek Dzhaparov, finance; Roza Otunbayeva, foreign affairs.

Legislature: single chamber of 75 members elected on 27 February and 13 March 2005

Population: 5,081,429 (July 2004 est., CIA)

Official languages: Kyrgyz and Russian

Religion: Muslim 75%, Russian Orthodox 20%, other 5%

Ethnic groups: Kyrgyz 64.9%, Uzbek 13.8%, Russian 12.5%, Dungan 1.1%, Ukrainian 1%, Uygur 1%, other 5.7% (1999 census)

Population growth rate: 1.25% (2004 est., CIA)

Birth rate: 22.13 births/1,000 population (2004 est., CIA)

Infant mortality: 36.81 deaths/1,000 live births

Life expectancy: male: 63.84 years

female: 72.05 years (2004 est.)

Currency: Kyrgyzstani som (KGS)

Kyrgyzstan is situated west of China, with Tajikistan in the south, Uzbekistan in the west and Kazakhstan in the north.

I. POLITICAL SITUATION

For the most recent developments please see executive summary

1. Introduction

Kyrgyzstan, together with Kazakhstan, Uzbekistan, Tajikistan and Turkmenistan, is part of Central Asia. In terms of peoples and civilisation, Central Asia, broadly speaking, is the area where the Turkic-speaking world of the steppes meets the Persian, Chinese and Russian civilisations.

The Kyrgyz entered history in 840 AD, when they defeated the Uighur Empire, which occupied present-day Mongolia. They came from the Upper Yenisey area and are Turkicised Indo-Europeans. In 924 they were driven back into their country of origin. The Kyrgyz tribes came to their present area of settlement in the 16th and 17th centuries, having been chased from the steppes of northern Asia by the Buddhist Oyrats. The Kyrgyz tribes were nominally taken under Chinese sovereignty around the middle of the 18th century, but operated independently until they were made vassals of the Khanate of Kokand around 1830. Then came the Russians, who in 1864 (Treaty of Chuguchak with China) set the eastern boundary of their empire to include most of the Kyrgyz territory. After the annexation of the Khanate of Kokand in 1876, the Kyrgyz became subjects of the Tsar.

The Russians created urban centres, including the present capital, Bishkek, and encouraged the development of agricultural areas in the north of the country with a large proportion of Russian immigrants. After the fall of the tsarist empire, the Soviet Government carried out a drastic policy of dividing Central Asia into political units supposed to correspond to ethnic groups. However, the lack of rationality of these borders resulted in sizeable Uzbek minorities in all the countries surrounding Uzbekistan, including Kyrgyzstan.

Kyrgyzstan, which covers 198 500 km², is divided by mountains between the north, where the capital Bishkek lies and which looks towards Kazakhstan, and the south centred around the Fergana Valley and looking towards Uzbekistan and Tajikistan. Kyrgyzstan has 4.9 million inhabitants, with sizeable Russian (14.6 %) and Uzbek (14.4 %) minorities. There are also Kyrgyz minorities in Uzbekistan, Xinjiang (Chinese Turkestan) and Tajikistan. Kyrgyzstan borders¹ on two Turkic-speaking republics (Kazakhstan and Uzbekistan), on Tajikistan (whose language is related to Persian) and China (the autonomous region of Xinjiang). Since the collapse of the USSR, Kyrgyzstan has had no direct border with Russia, but Moscow's influence is still considerable.

The Kyrgyz, like their Kazakh neighbours to the north, were nomads, tribalised and superficially Islamised, and their languages are also fairly closely related. As a result of the Kyrgyz nomad tradition there are fewer personal manifestations of power than in neighbouring countries. They do not have princes or nobles but elders, whose authority derives from their personal influence. Isolated by high mountains and divided into different tribes, the Kyrgyz did not have a unified national identity before independence. There is, in fact, a north-south rivalry. Osh, the major city in the south, has recently been granted a similar status to the capital, Bishkek.

¹ See Annex I.

2. Domestic policy

Kyrgyzstan has been independent since 31 August 1991. It is a poor country exposed to the upheavals in the civil war in Tajikistan and incursions by Islamist Uzbeks from the Fergana Valley, carried out by the Islamic Movement of Uzbekistan (IMU), an organisation close to al-Qa'ida, in 1999 and 2000. The Government fears an alliance between the IMU, the outlawed Islamist party Hizb ut-Tahrir and Uighur separatists from Chinese Turkestan (Xinjiang). Observers state, however, that the renewed upturn in violence in recent years is not linked to radical Islamist movements but principally to social discontent caused by economic difficulties and by tensions resulting from the overlapping of ethnic and national borders. Moreover, a survey of the Uzbek minority in the country's second city, Osh, carried out in 2002, revealed that 60 % of those asked were not satisfied with their status.

Kyrgyzstan was viewed as the 'island of democracy' in Central Asia with its surrounding neighbours under autocratic rule. However, over the years, President Akayev became more hard-line. Parliamentary and presidential elections in 2000 strengthened Akayev's position, with the banning of several opposition groups and the imprisonment of his main challenger for the presidency, Feliks Kulov. Signs that the authorities were cracking down on the opposition in advance of the elections again became apparent in 2004. In June 2004, intimidation and harassment of senior members of the Ar-Namys party followed renewed domestic and international agitation by supporters of the party's leader, Mr Kulov, for his release.

(a) Constitution

The Kyrgyz constitution was adopted on 5 May 1993 and has been amended four times (in October 1994, February 1996, October 1998 and February 2003), by means of four referenda. The country has a presidential constitution; this granted some powers to the Jogorku Kenesh, a bicameral parliament now replaced by a monocameral chamber of 75 members. President Akayev's term of office was in any case due to end this year. The OSCE called on the Kyrgyz authorities to postpone the vote in the last referendum - concerning in part a re-affirmation of the President's mandate - given the short period of time for presentation of the amendments, but was not heeded. The Opposition called for the President's proposal to be rejected. The Electoral Commission subsequently announced that 85 % of the electorate had taken part in the referendum, of whom 75 % had voted in favour and 10 % against. These figures are disputed by the Opposition, but this did not stop a new amended constitution from entering into force on 18 February 2003.

(b) Head of State

When Kyrgyzstan became independent, it was not a typical Central Asian former Soviet republic. President Akayev, elected on 15 October 1991, was not a former Communist Party first secretary but a member of the Academy of Sciences. He adopted a democratic and liberal position at the outset. However, according to observers, Mr Akayev has gradually followed the same authoritarian road as his counterparts in Central Asia. He made an unsuccessful attempt in the spring of 1995 to extend his mandate by referendum but was re-elected on 24 December 1994 with 70 % of the vote. He also won the presidential election of 29 October 2000 with 74 % of the vote, in the elections that the OSCE considered the most democratic. The second-placed candidate, Omurbek Tekebayev, gained 14 % of the vote, but Mr Akayev's real rival, Felix Kulov, former vice-president and former mayor of Bishkek, was excluded from the elections for

failing to take a Kyrgyz language test. He was sentenced to a term of imprisonment shortly afterwards. In a statement of 6 November 2000 on the presidential elections in Kyrgyzstan, the French Presidency, on behalf of the European Union, regretted that the elections represented a step backwards in the process of democratisation and the creation of a constitutional state in Kyrgyzstan. Mr Akayev has recently said that he will not stand in the 2005 presidential elections. However, he would stand for Prime Minister if Kyrgyzstan were to become a parliamentary republic. Moreover, President Akayev's rule is often opposed: in March 2002, during a demonstration in the Aksy region, the police opened fire on demonstrators, killing five people. This tragedy sent shock waves through the country and led to the resignation of the Government.

(c) Parliament

In accordance with the decisions of a 2003 referendum Parliament consists of a single chamber with 75 deputies. Elections were held most recently in two rounds on 27 February and 13 March 2005 (see executive summary).

The former, bicameral parliament elected in February 1995 was dominated by the majority parties from the south of the country, who felt excluded from power and the financial windfalls generated by privatisation. Conflict resulted with Mr Akayev (originally from the north). The OSCE noted serious irregularities in the conduct of the legislative elections of February 2000 (lower house) and March 2000 (upper house), especially in the operation of polling stations in certain provinces such as Talas. Successive referendums and the contested results of the last legislative elections weakened parliament's role in the Kyrgyz constitutional framework.

New election law: As a result of the OSCE's allegations of vote rigging by the Kyrgyz administration, changes to the election law were made in January 2004 in preparation for the parliamentary and presidential elections of 2005. The amendments provide for greater transparency by giving observers and participants full access to electoral documents; excluding members of the state administration from serving on district election commissions and reducing the proportion of civil and municipal servants on such commission to one-third; and preventing the removal of ballot boxes-now to be made of transparent materials-to other locations for vote counting. However, an additional change to the election law that banned those with a criminal record from standing for the presidency, and the preservation of a Kyrgyz language test for presidential candidates, were measures designed to prevent the possibility of Mr Kulov, imprisoned leader of the Ar-Namys party and main challenger to Mr Akayev, from contesting the presidency.

Parliamentary elections took place as planned on 27 February; only 31 of 75 seats were filled with the remainder being decided at a run-off second round on 13 March 2005. A new government has now been formed led by Mr Kurmanbek Bakiyev as Prime Minister and acting president.

Kyrgyzstan has enjoyed a relatively liberal political climate, with a very vocal and outspoken parliamentary and extra-parliamentary opposition. However, corruption is rife and the rule of law is still largely absent. Until the upheavals following the recent elections, political stability of the country had seemed to be improving with President Akayev reasserting authority over the executive and legislative following a series of demonstrations in 2002. But Roza Otunbaeva, a leader of the Ata Zhurt opposition movement, was denied official registration as a candidate in the recent parliamentary elections on grounds of alleged technical violations. She is now Foreign Minister, a post which she had already held in an earlier administration. President Akayev's

son and daughter both stood as candidates and were elected but seem to play no role in the current situation.

Before the election President Akayev had voiced concern over the possibility of the types of protests seen in Georgia and Ukraine. He had also warned that the political situation in Kyrgyzstan might deteriorate amid what he called the 'alarming rise of terrorism in the region' although this was strongly rejected by the opposition which called it an attempt to scare voters. In early January five opposition parties, the People's Movement of Kyrgyzstan, the social movement Ata Jurt, Jany Bayt, the People's Congress of Kyrgyzstan, and the For Fair Elections movement, united in what they claim to be an effort to prevent fraud in the upcoming elections. They signed a memorandum of understanding and co-operation, pledging to work together to ensure that the February elections are free and fair. However, despite this co-operation, the 40 opposition parties are viewed as fragmented and weak and failed to gain many seats. The opposition was seriously divided and in some cases actually depended on the regime, with which its members made implicit deals over parliamentary representation and other issues.

(d) Political parties

Shortly after independence, the country experienced a flowering of political parties unheard of in Central Asia (Communist Party, Erkin Kyrgyzstan, Republican Party, ErK, Democratic Movement, Ata-Meken, etc.). Most of these failed to obtain seats in the recent parliamentary election at which only seven seats were apparently obtained by 'opposition' parties. Amongst these Kyrgyz nationalists favour a reduction in Russian influence but have no coherent economic policy; the social democrats criticise the concentration of powers in the hands of the President and the corruption that has tarnished reform; the Communist Party, which obtained 28 % of the vote in the 2000 legislative elections, has shown itself hostile to economic reform but has supported the government in areas such as ethnic equality and has encouraged the Russian presence in the country. In fact the Kyrgyz political parties' role had declined in proportion to the President's gathering of powers to himself to the detriment of the parliament. A law enforced in July 2001 regulates party activity: existing parties and any new parties have to be registered, while foreign political parties can no longer operate in Kyrgyzstan.

Constitutional amendments passed in 2003 also damaged opposition parties and other opponents of the government. The abolition of party-list voting in favour of first-past-the-post contests at district level makes it harder for political parties to gain seats in parliament and was thought likely to produce more deputies beholden to the government.

Most of those in fact elected to the new parliament were thus nominally supporters of President Akayev and his family, but, given the highly personal nature of politics and the clan-based system for gathering political support, the new members of parliament can be expected to realign behind the current main contenders for the presidency, Mr Bakiyev and Mr Kulov. Many have links to business and there are also serious accusations that many seats were obtained by blatant bribery of voters.

(e) Judicial system

Under the constitution, the judicial system is independent but observers have commented on the lack of reform, low pay and corruption. The President makes nominations to the

Constitutional Court, the Supreme Court and the Higher Arbitration Court. The administration's strong political influence on the system has been apparent in trials in recent years involving opposition members and journalists. In addition, the complex laws introduced over the last two years, with their inherent multiple contradictions, have not eased the magistrates' task. During the debate on June 2003 on the Supreme Court bill, members of the lower chamber called for greater independence of the judiciary. The OSCE had already called on the authorities in Bishkek to reform the judiciary one month before.

(f) Human rights

Reports by NGOs point to a considerable deterioration in the human rights situation in Kyrgyzstan since 1996. Members of the opposition and of civil society have frequently been subject to pressure, intimidation and imprisonment. Recent cases include Ramazan Dyrlydaev (chairman of the Kyrgyz Committee on Human Rights), Topchubek Turgunaliyev (member of the opposition) and Felix Kulov (former vice-president and former mayor of Bishkek), leader of the Ar-Namys (Dignity) Party. This last case is particularly significant: Mr Kulov, who was accused of abuse of power, was acquitted and released in August 2000. But a military court decided to review his case after Mr Kulov announced he would be running in the 2000 presidential election. Mr Kulov claimed that the charges against him had been fabricated and were completely false. Unfortunately, the actions of the Kyrgyz authorities in this connection are such as to arouse suspicions of political motivation. Speaking on behalf of the EU on 2 February 2001, the Swedish Presidency expressed concern about the circumstances surrounding Mr Kulov's trial. On 19 July 2001 the Kyrgyz Supreme Court upheld the military court's verdict of 22 January 2001, condemning Mr Kulov to seven years' imprisonment. Furthermore, Tursunbek Akunov, Chairman of the Human Rights Movement of Kyrgyzstan, was imprisoned on 16 November 2002. Kyrgyz NGOs have demanded that the Government put an end to its persecution of members of the Opposition.

Observers say that the press and intellectuals in general are living through difficult times in Kyrgyzstan. Repression of journalists is recent but undeniable. On 13 March 2001 the Jalal-Abad Court sentenced a journalist, Moldosali Ibraimov, to two years' imprisonment for writing articles on corruption within the judiciary. The authorities have also closed down the independent television company Osh TV and the newspapers Asaba, Kyrgyz Ordo (January 2003) and Moya Stolitsa (May 2003). The only positive development has been President Akayev's extension by one year of the moratorium on the death penalty. These recent events are endangering the image Kyrgyzstan wishes to project of itself as the 'Switzerland of Central Asia'².

Moreover, President Akayev found himself in an extremely precarious position after the deaths of several demonstrators in the south of the country. The demonstrators were protesting in the town of Ak-Sui over the retrocession to China of part of Kyrgyzstan's national territory. The police opened fire and killed five demonstrators³. Following these tragic events the President was forced to accept the resignation of his government on 22 May 2002. This did not, however, bring an end to the demonstrations, whose demands included not only the repeal of the Sino-Kyrgyz treaty, but also a further enquiry into what had happened in Ak-Sui, the release of

² In view of the significant oil and gas resources of the countries that surround Kyrgyzstan, certain sources cite this as the only chance for the country to capture the attention of the international community and become a player in the global market.

³ These events gave rise to a statement of concern by the Spanish Presidency of the EU on 28 March 2002 regarding the violent measures used by the police during the demonstrations.

opposition member Azimbek Beknazarov (since released on parole), and the resignation of the President. These waves of protest have been brutally suppressed by the Kyrgyz authorities.

Despite the much-heralded attention in the new constitutional amendments in 2003 to the protection of human rights, the ambiguous working of some of the articles of the constitution leaves room for the authorities to ban protests, declare social organisations illegal, and, in certain cases, to overrule civil rights.

3. Foreign policy

The policies of independence and state sovereignty are a priority for the Kyrgyz Government. Kyrgyzstan has therefore sought good relations with its four neighbours, with Russia, the United States and the EU. Kyrgyzstan is a member of the CIS and part of the core group that forms the Central Asian Economic Community with Russia, Belarus, Kazakhstan and Tajikistan. President Akayev has fostered a 'multi-vectoral' foreign policy to ensure the continued and balanced participation of the large powers-Russia, China and the US-in defence and economic security. It is also a member of the NATO Partnership for Peace, the OSCE, the UN and the WTO.

3.1. Relations with neighbouring countries

Kyrgyzstan and its three former Soviet neighbours set up the Central Asian Economic Community to coordinate joint action on economic reform and the implementation of regional economic integration. However, despite numerous meetings and summits, very little progress has been made.

(a) Kazakhstan

Cultural and ethnic links have, quite naturally, led Kyrgyzstan to turn towards its northern neighbour, Kazakhstan. Good relations were strengthened by Kazakh President Nazarbayev's visit to Bishkek in 2001. The Kazakh and Kyrgyz Presidents signed an economic cooperation programme to last until 2005, with the aim of developing trade and industrial relations between the two republics. They also signed an agreement fixing their common borders.

(b) Uzbekistan

In the 1930s the Soviet authorities established borders that continue to ignore ethnic diversity. Thus the Fergana Valley, the most fertile and populated region of Central Asia, has become a mosaic of peoples and sovereign states⁴. Radical Islamist movements have also developed in the region. In 1999 and 2000, Kyrgyzstan suffered armed incursions of Uzbek Islamists from Tajikistan who were heading for Uzbekistan. This crisis highlighted Kyrgyzstan's vulnerability; above all, it accentuated tensions with neighbouring Uzbekistan, which briefly intervened militarily to dislodge the rebels on Kyrgyz territory. Uzbekistan closed its borders and cordoned them off with mines, and now requires Kyrgyz residents to apply for visas. Uzbekistan also cut off gas supplies to Kyrgyzstan, which then refused to supply water to Uzbekistan. This has not prevented an agreement on borders, currently in its final stages, from being negotiated. The

⁴ See Annex I.

continuation of unauthorised crossings into Kyrgyz territory by Uzbek security services in 2004 has caused friction in bilateral relations.

(c) Tajikistan

After the Uzbek fundamentalist incursions from Tajikistan in 1999, Kyrgyzstan deployed troops on the Kyrgyz-Tajik border. In addition to the threat from radical Islamists, there is also the problem of drugs and arms trafficking and its direct consequences, such as corruption. Relations between Bishkek and Dushanbe are still tense but inter-regional cooperation is beginning to develop by means of economic cooperation agreements, such as that of 3 July 2001 between the Kyrgyz region of Osh and the Tajik autonomous region of Badakhshan.

(d) China

Relations between Kyrgyzstan and China have undergone considerable development since Kyrgyzstan became independent. The two countries have fixed their common border and have signed economic co-operation agreements encouraging trade. In addition, China is encouraging Bishkek to control the small Uighur minority (mainly emigrants from Xinjiang, an autonomous frontier region in China), which it accuses of separatist activities. Kyrgyz-Chinese relations further improved with the cross-border treaty ceding 1 270 km² of Kyrgyz territory to China⁵.

3.2. Other countries

(a) Russia

As a result of its economic and political vulnerability, Kyrgyzstan has sought to form economic and political links with Russia. The two countries signed an economic co-operation treaty for the period 2001-2009, which included projects for electricity production, water management, construction of machinery and agriculture. On 4 July 2001 the Russian Government adopted a draft agreement on restructuring the Kyrgyz debt to Russia. President Akayev announced the opening of a Slavic university in Bishkek, stating that he would seek to encourage Russian experts to remain on Kyrgyz territory. However, the exodus of Russian speakers is continuing. Moscow and Bishkek hope to develop economic, political and military co-operation. With this in mind, a Russian military base was set up in the Kant region. The Kant base significantly enhances Moscow's ability to project power in Central Asia, a region which has, in recent years, become an arena of geopolitical competition among Russia, the US and China.

In keeping with recent policy pronouncements from the Kremlin on Central Asia, economics will play an important role as well in Moscow's relationship with Kyrgyzstan. Trade between Russia and Kyrgyzstan increased by 70 percent in 2004, according to official figures cited by the Russian president. Bilateral trade has more than doubled since 2000 to reach US\$400 million. The boost in trade volume comes on the heels of Russia's 2002 decision to write off some US\$40 million in Kyrgyzstani debt.

(b) United States

⁵ The opposition parties within parliament criticised President Akayev for not giving them enough time to consider the ratification of the treaty and commented that the treaty could lead neighbouring countries to put pressure on Kyrgyzstan to make territorial concessions to them too.

Islamic fundamentalists set up base in the Central Asian region in the 1980s. This coincided with the initial phase of conversion to Wahhabism, in which they were assisted by ‘missionaries’ from Pakistan, Turkey, Saudi Arabia and Afghanistan⁶, and encouraged by the general state of political and economic crisis in the country. Following the attacks of 11 September 2001, the Kyrgyz Government declared its support for the United States, allowing the anti-Taliban coalition forces (in this case American and French) to set up an air force base at Manas airport, near Bishkek⁷. The base enabled the armed forces to launch aerial attacks on Afghanistan and, in particular, on terrorist-occupied zones. This situation highlights three points: first, Kyrgyzstan does not have a demonstrably anti-Western attitude and has demonstrated relative ‘openness’ in a region where authoritarian systems are flourishing; second, the military presence brought with it a financial windfall: the coalition’s installation of its troops in the territory ensured sizeable investments for Kyrgyzstan⁸; lastly, as regards the United States’ attitude to human rights, Washington’s response to the confrontations in the south of the country has only been to emphasise that respect for human rights constitutes an essential part of the fight against terrorism. In March 2003, America and Kyrgyzstan carried out joint military exercises. The Kyrgyz and American Governments also signed non-extradition agreements aimed at exempting American citizens from the jurisdiction of the International Criminal Court. Such goodwill has not been uniform, however: Washington criticised the referendum of 2 February 2003, as it was not preceded by a broad debate within Kyrgyz society, and Bishkek supported the position held by France, Germany and Russia over the war in Iraq.

3.3. *International organisations*

(a) OSCE

Kyrgyzstan is one of 55 members of the OSCE, whose main objectives include the consolidation of democracy, respect for human rights and protection of minorities. In this context, and following the events of March 2002 in the Aksy region, where five demonstrators lost their lives, the OSCE has made an assistance programme available to the Kyrgyz Government, with a budget of EUR 3.8 million, aimed at reforming the Kyrgyz Interior Ministry and its services. This step has been criticised by the Opposition.

(b) NATO

NATO and the Kyrgyz authorities maintain close relations within NATO’s Partnership for Peace. However, it is unlikely that Bishkek will apply to join NATO. Yet sections of the Opposition are in favour of joining, as this would lead to greater democratisation.

⁶ In Kyrgyzstan a number of attacks and hostage-takings were carried out by Islamic fundamentalists from Uzbekistan in the late 1990s.

⁷ In contrast to its neighbour Kazakhstan, Kyrgyzstan did not set conditions for its support and is not making use of the situation to draw the international community’s attention to its own difficulties.

⁸ In February 2002, as part of the installation process, the French invested USD 7 million and the Americans USD 18 million. Financial aid from Washington in 1992 reached USD 92 million.

II. ECONOMIC SITUATION

*Introduction*⁹

Kyrgyzstan is a mountainous, land-locked country, whose economy, before independence in 1991, was completely integrated into the Soviet economic system. The new authorities' principal task was to restructure the economy so as to reduce the negative impact of the break-up of the Soviet Union and to contain the high levels of inflation resulting from a price liberalisation policy.

The Russian financial crisis of August 1998 also had a negative impact on the Kyrgyz economy. Economic growth resumed in 1999 (on average 4.6 % per year between 1999 and 2001), and inflation, which reached 50 % in October 1999, fell to 6.9 % in 2001. Foreign debt represents another serious concern for Bishkek, reaching USD 2 000 million in 2001, over 130 % of GDP. These economic difficulties have had considerable repercussions. It is estimated that over 50 % of the country's population live below the poverty line and that more than 20 % of the workforce are unemployed. These socio-economic problems encourage the growth of illegal activity such as corruption, money laundering, and trafficking drugs from Afghanistan.

Kyrgyzstan is widely seen as one of the leaders among the former Soviet republics in economic reform. President Akayev succeeded in playing the international-aid card, especially in 1993 and 1994, by using his liberal image and announcing reform programmes along the lines advocated by the World Bank and the IMF, which saw Kyrgyzstan as their most promising pupil in the region. Thus an economic restructuring programme supported by the IMF was adopted in 1994. Another three-year programme was adopted in June 1998, also with IMF support. The government has drawn up a national strategy for poverty reduction, which is to form part of a ten-year comprehensive development programme. In December 2001 the IMF approved a US\$101.7 million three-year poverty reduction and growth facility (PRGF) for Kyrgyzstan, which is aimed at supporting this strategy. The government's main policy priorities under the new arrangement are furthering macroeconomic stabilisation, the implementation of a credible external debt strategy and further structural reforms.

2. Economic structure

Agriculture accounts for 35 % of the Kyrgyz GDP and is the most important sector of the economy. As a result of the country's geography, the high steppes are used as pasture while cereal growing is concentrated in the low valleys. The bankruptcy of a number of enterprises has led to an exodus of workers to the countryside, where they practise subsistence farming. The important role of the agricultural sector in the economy renders GDP growth extremely dependent on favourable weather conditions. Kyrgyzstan has mineral resources (gold, silver, mercury, uranium, antimony, coal and tin); before independence, its substantial mining industry supplied the rest of the Soviet Union. Industry then represented 38 % of GDP, whereas today it represents only 15 %, 7 % of which comes from the production of gold¹⁰. Factories are mainly concentrated in the capital and the city of Osh. The country is a major electricity supplier in

⁹ see Annex 2

¹⁰ Gold production accounted for 43 % of all exports in 2004.

Central Asia and China. However, development of the hydroelectric industry is hampered by obsolete infrastructure and the refusal of the main customers, Kazakhstan and Uzbekistan, to pay market prices. After independence, the government began to redirect industrial policy towards light industry, especially the textile sector, to take advantage of the existing production of wool, cotton and silk. The service sector, where trade and animal-rearing are of particular importance, represents over 30 % of GDP and is largely dominated by small businesses. The building, transport and communications sectors each represent less than 5 % of GDP. The recent discovery of petroleum deposits, which, if estimates are correct, could cover the country's requirements for the next 70 years, would reduce, if not entirely eliminate, Kyrgyzstan's dependence on its neighbours and thus encourage future economic growth. The tourism sector is growing. Observers state that the underground economy contributes 50 % of GDP.

3. Economic developments

Like its sister republics in Central Asia, Kyrgyzstan has suffered from the break-up of the USSR and the loss of its traditional markets. GDP fell by 50 % between 1991 and 1995 and only began to rise again in 1996, three years after adoption of the first stabilisation programmes. The growth achieved then was the result of progress in the agricultural sector and in the production of gold from Kumtor. The success of the government's economic policy enabled Kyrgyzstan to become the first member of the CIS to join the WTO, in October 1998. However, the Russian financial crisis in August 1998 has also had repercussions on the Kyrgyz economy: exports have declined and growth in 1998 was low. Kyrgyzstan's current GDP is still lower than its 1991 level of 24 %.

The government's search for financing is made difficult by strong domestic opposition to the sale of state assets. This will continue to hinder deep-reaching structural reform and rapid privatisation despite the government's stated goal of raising foreign direct investment (FDI) to US\$200 million - US\$250 million annually in 2005 and beyond. Investors are wary of the poor business environment and high levels of corruption.

The third stage of agricultural reform, to be implemented over the next ten years, is based on the creation of a system of large farm co-operatives and a rural banking and credit system. Larger agricultural units are intended to facilitate tax collection as well as economies of scale. The first stage, in 1991-93, set up small farmers in disused and unproductive zones, and in 1994 the legal basis for reform of the agrarian sector was put in place.

4. Trade¹¹

Traditionally one of the most liberal regimes in the region, Kyrgyzstan was granted full WTO membership in November 1998. However, issues such as the WTO open quota for inexpensive re-exports have caused tension with non-members such as Kazakhstan and Uzbekistan. These commercial difficulties are added to existing border disputes and ethnic problems, making the emergence of regional free trade between Uzbekistan, Tajikistan, and Kyrgyzstan in the closely interconnected Fergana Valley still problematic. Kyrgyzstan's main trade partners are therefore China and Russia. Switzerland is high on Kyrgyzstan's exports list because of gold exports.

¹¹ see Annex 2

Following the recent drastic fall in trade with its former Soviet partners, Kyrgyzstan has tried to diversify its trading partners. Between 1995 and 1999, Kyrgyz exports to countries outside the CIS, such as Germany, China and the United States, almost doubled. Over the same period, exports to CIS countries fell by 30 %. Imports developed in a similar way: imports from the CIS zone fell, while those from the countries mentioned above increased considerably. Nevertheless, Kyrgyzstan still has a balance of trade deficit. Kyrgyzstan has recently adopted a new customs code with a view to setting up common customs rules with Russia, Ukraine, Belarus and Kazakhstan in order to encourage regional economic integration.

5. Monetary policy

Kyrgyzstan was the first former Soviet country to introduce its own currency, the some, in May 1993. The government also imposed a strict monetary policy which considerably reduced inflation: in 1993 it stood at 700 %, in 1994 200 %, and by mid-1998 it had fallen to just 10 %. Unfortunately the Russian financial crisis in 1998 led to a fall in the som (30 %)¹² and a return of inflation, which reached 50 % in October 1999, falling again to 20 % in May 2000 after seven months of gradual reduction; in 2001 inflation fell to 6.9 %. According to the EIU¹³, it should have fallen to 4 % by 2003.

The Kyrgyz banking system was reorganised after independence with the creation of the National Bank of the Kyrgyz Republic (NBKR) and about thirty commercial banks. The NBKR is theoretically independent but in practice it operates in accordance with government instructions. Some commercial banks were subsequently closed and others are in the process of winding up, following the crisis which shook the region and which demonstrated the vulnerability of the newly-instituted financial system. At the end of 1999, Kyrgyzstan's external debt was USD 1 000 million, the equivalent of about 90 % of GDP, reaching USD 2 000 million in 2001, or 130 % of GDP. This appears excessive compared with the figures for other economies in transition, and the IMF considered it untenable. In March 2002, the Kyrgyz Government obtained a rescheduling agreement on its foreign debt from the Paris Club. The maintenance of a tight monetary policy by the NBKR, combined with a slight nominal appreciation of the som against the US dollar, had brought the annual rate down to 2.3 percent by the end of 2002, the lowest rate since independence. Inflation had a fallen below 1 percent year on year by September 2003, but rose sharply thereafter as a result of instability in food and services prices. The average annual inflation was 3.4 percent in 2004.

6. Tax policy

As in other post-Soviet states, the Kyrgyz Republic has found it very difficult to contain the fall in tax income that accompanied economic decline and to reduce the over-high budget commitments inherited from the Communist era. The government has nevertheless partially succeeded in cutting public expenditure and, since 1995, in reforming the tax system. As a result

¹² One US dollar was worth 17.46 soms in 1997, but by 2001 the exchange rate stood at 48.38 soms.

¹³ Economist International Unit.

the budget deficit has continued to fall compared with GDP. In 1999 the deficit stabilised at 2.5 % of GDP and there was a small surplus in 2000 and 2001¹⁴.

The government has made progress on tax reform in 2004, and there has been a substantial rise in revenue from income tax and value-added-tax (VAT), suggesting that tax collection is improving. The government hopes to increase tax receipts by 11 percent in 2005. In the next three-year period the tax base is to be broadened, the Tax Code edited and measures introduced to strengthen co-operation and exchange of information and customs services.

7. Privatisation

In 1998 the Kyrgyz Government undertook the third and last stage of its privatisation programme. The second stage was suspended in 1997, when allegations of corruption led to the dismissal of the head of the government agency responsible for the programme. The third stage, covering the period 2001-2003, comprised of plans to privatise several large undertakings such as the state telecommunications monopoly (Kyrgyztelekom) and the state enterprise responsible for energy (Kyrgyzenergo), though the state would continue to control parts of what it describes as strategic industries. However, the third phase has proceeded slowly, and is far from complete. Although in the first half of 2002 the government reported the sale of some 41 enterprises, all the so-called 'strategic' enterprises remain in state hands. In November 2002 the government approved the privatisation of the four strategic enterprises that were benchmarked in the third phase of the IMF's PRGF, namely Kyrgyztelecom, KyrgyzAir, KyrgyzGaz, and four distribution companies of Kyrgyzenergo. The government's failure to sell these assets is explained by both domestic opposition and a lack of external investor interest.

8. Social aspects

Social indicators have fallen in recent years. It has been estimated that the proportion of households living below the poverty level, which was 40 % in 1993, rose to 50 % in 1997 and even higher in 1998¹⁵. Furthermore, the general health of the population deteriorated, as shown by the fall of 2.2 years in average life expectancy between 1991 and 1996 and the sharp increase in child malnutrition. Kyrgyzstan remains very poor, with average wages at \$39 per month in 2002. Unemployment, particularly hidden unemployment, is very high, though, as in other parts of the former Soviet Union, many have found alternative sources of income, such as through small-scale cross-border trade. The World Bank's new Country Assistance Strategy for the Kyrgyz Republic for 2003-2006 also supports the poverty reduction strategy with an aid/grant package totalling US\$171 million for infrastructure and state management reforms.

This difficult socio-economic situation has led to a growth in illicit practices such as corruption¹⁶, money laundering and drug trafficking¹⁷. International financial institutions have warned that, in the absence of good governance, future loans may be suspended.

¹⁴ It should not be forgotten, however, that the tax system remains vulnerable due to the sizeable parallel market and high labour tax.

¹⁵ In particular in agricultural regions.

¹⁶ A report by the IMF and the World Bank shows Kyrgyzstan to be the most corrupt of all the former states of the USSR.

¹⁷ Two tonnes of drugs from Afghanistan were seized in 2002. The specialised agencies of the UN and the OSCE have pledged assistance to the Kyrgyz Government to counter this scourge.

III. EU-KYRGYZSTAN RELATIONS

1. Historical background

Relations between the EU and Kyrgyzstan go back to the Soviet period. The 1989 trade and co-operation agreement between the European Community and the Soviet Union was applied individually to all the new independent republics after the break-up of the USSR.

In 1992, aware of the importance of developing relations between the EU and the republics of the former Soviet Union, the Council gave the Commission a mandate for comprehensive negotiation of partnership and co-operation agreements with all the former Soviet republics.

In 1994 the Commission presented a proposal for a Council decision on the conclusion of the Partnership and Co-operation Agreement between the European Communities and their Member States, of the one part, and the Kyrgyz Republic, of the other part¹⁸. This agreement was signed on 9 February 1995 and came into force on 1 July 1999¹⁹. Preceding the partnership and co-operation agreement, the EU and Kyrgyzstan signed an interim agreement on 28 November 1996 to regulate EU-Kyrgyz relations until the partnership and co-operation agreement came into force.

A Textiles Agreement is the only trade agreement currently in place between the EU and Kyrgyzstan.

2. Partnership and co-operation agreement (PCA)

The PCA is a mixed agreement (covering both Community and national spheres of interest) for an initial period of 10 years. It establishes the framework needed to develop relations between the EU and Kyrgyzstan, based on democratic values, including political dialogue and respect for the rule of law. Four years elapsed between the signing of the PCA and its entry into force, because the agreement had to be signed by the national parliaments of the EU Member States, the Kyrgyz Parliament and the European Parliament.

From the economic point of view, the agreement promotes a market economy. The PCA forms the basis of a close partnership, establishing a new institutional framework and opening the door to new possibilities for co-operation in a series of areas.

The PCA covers:

- the establishment of political dialogue;
- provisions on trade in goods, employment, the setting up of companies and their activities, cross-border provision of services, current and capital payments, protection of intellectual, industrial and commercial property, legislative and economic co-operation, co-operation in

¹⁸ COM(94) 412.

¹⁹ OJ L 196, 28.7.1999, p. 46.

the fields of science and technology, education, training and culture, the environment and health, respect for democracy and human rights, co-operation in preventing illegal activities and surveillance of clandestine immigration, and financial co-operation;

- creation of an institutional structure comprising a Co-operation Council, a Co-operation Committee and a Parliamentary Co-operation Committee.

The EU and Kyrgyzstan also stated in the agreement their wish to ensure respect for the sovereignty, independence and integrity of Kyrgyzstan.

The new 2000-2003 TACIS indicative programme, with a budget of EUR 16 million, delimits the six areas to be covered by European funding in Kyrgyzstan and in the Central Asian region as a whole. The first five areas, identical to those prescribed for its neighbour Kazakhstan, are as follows:

- support for institutional, legislative and administrative reforms. Over the period the programme covers the EU insists that the principles of good governance be upheld and that funding be provided to establish higher-quality police and legal services²⁰ and for the training of civil servants. All these activities are supported by a programme of technical advice, partnership and twinning between Kyrgyz and European services (towns, universities and public authorities);
- support for the country's economic growth and for the private sector in order to create a stable and transparent economy and market. This necessitates continued efforts in terms of transfer of know-how, managerial training, support for rebuilding and restructuring of private businesses at all levels²¹ and creating a climate of increased foreign investor confidence²²;
- support to deal with the social implications of the transition to a market economy with the aim of restructuring and improving Kyrgyzstan's social system²³;
- protecting the environment with the aim of promoting legislative and legal services that conform to international standards. Another objective of the TACIS programme is to provide support for the sensible use of water resources and improvement of related infrastructures;
- developing the rural economy. TACIS' goal in this area is to improve the living standards of the rural population by enabling it to increase their participation in the national economy²⁴;
- developing national infrastructures, namely transport, telecommunications, and other networks, including the energy sector.

²⁰ This of course implies provision of the necessary training for the relevant authorities, but also support for property acquisitions in order to provide the services with suitable premises.

²¹ That is to say restructuring the legal framework for new businesses, large and small enterprises alike, at national, regional and local level.

²² Some analysts believe the country has good potential for attracting foreign investment, which has proven to be true since the arrival of the anti-Taliban coalition on Kyrgyz territory.

²³ Which includes the social security, pensions and health systems.

²⁴ To this end, TACIS is promoting access to the marketplace for agricultural products by restructuring the system created during Soviet era and establishing coherent policies in the field.

The first meeting of the EU-Kyrgyzstan Co-operation Council was held in Brussels on 20 July 1999 at ministerial level. At the second meeting on 17 July 2001, which was also held in Brussels at ministerial level, the EU said that investors were still awaiting improvement in the tax legislation and a strengthening of constitutional democracy before becoming more deeply involved in Kyrgyzstan. The Co-operation Council also insisted on the importance of combating organised crime and drug trafficking. Kyrgyzstan has become a transit route for drugs from Afghanistan and Pakistan bound for Europe. The EU is already providing aid under the TACIS programme to combat this traffic. In January 2001 the EU appointed a regional co-ordinator (based in Kazakhstan) to co-ordinate European aid and help the countries in the region deal with this trade. The EU delegation also stressed that a market economy should be combined with democratic rules and human rights. This no doubt reflects European reservations concerning a regime that observers think is tempted to drift towards totalitarianism, which would only tarnish its image as the 'Switzerland of Central Asia'.

At the third meeting of the EU-Kyrgyzstan Co-operation Council, the EU took the opportunity to congratulate the Kyrgyz authorities on their efforts in the country's transition, in terms of economic development²⁵ and the alignment of national legislation with that of the WTO. The EU encouraged Kyrgyzstan in its efforts to improve the economic stability of the country, but also recalled that respect for democratic principles and human rights, in particular freedom of the media, was an essential element of the EU-Kyrgyzstan partnership. This appeal was repeated at the fourth meeting of the EU-Kyrgyzstan Co-operation Council in Brussels on 23 July 2002, at which it was agreed that funding (for co-operation and aid) to the region would be doubled, totalling EUR 50 million per year. The EU hopes that, following the referendum of 2 February 2003, over which it had expressed concerns, it will be possible to put into practice the adopted constitutional measures in a spirit of democracy and pluralism. The EU encourages the Kyrgyz Government to involve the OSCE in this process via the OSCE's regional office in Bishkek.

In July 2003 the 5th yearly meeting of the EU-Kyrgyzstan Co-operation Council took place in Brussels. In spite of the very small volumes of bilateral trade and of EU investment in the country there is an expert level Subcommittee on Trade and Investment in place, which met for the fifth time on 25 March 2004. The senior official level Co-operation Committee held its 5th meeting in March 2004 in Bishkek.

3. Technical and humanitarian assistance

There have been three programmes of EAGGF food aid: 1994-1995 (ECU 14 million), 1995-1996 (ECU 5 million) and 1996 (ECU 10 million). Food safety programmes for Kyrgyzstan have gradually increased: ECU 8 million in 1997, ECU 8.5 million in 1998 and 1999, EUR 10 million in 2000 (currently under way) and EUR 10 million in 2001 (allocated by a Commission decision).

Since 1993 ECHO has provided humanitarian aid in Kyrgyzstan amounting to EUR 25.4 million, mainly in food and medical aid. ECHO aid reached a peak in 1994 and 1995, assisting people affected by floods and earthquakes. Emergency food aid was also granted in 1998. ECHO has

²⁵ Particularly at regional level.

mainly provided pharmaceutical products and medicines to the most vulnerable sections of the population; these totalled EUR 2.2 million in 1999.

TACIS aid amounted to EUR 53 million up to 1999.

Other EU projects of interest to Kyrgyzstan will be financed separately through the TACIS inter-state programme (principally INOGATE, TRACECA, WARMAP, REC and the fight against drug trafficking).

In 1999 exceptional TACIS aid of EUR 2 million was given to Kyrgyzstan to alleviate the impact of the Russian crisis on its economy and population. The aid was managed by ECHO. From the budgetary year 2002 onwards, the TACIS assistance for Kyrgyzstan was based on the Strategy Paper 2002-2006 and the Indicative Programme 2002-2004 for Central Asia, which are based on a 'three-track' approach namely, regional programme, regionally identified priorities implemented at national level, and poverty alleviation. The Kyrgyz Batken Oblast in the Ferghana Valley benefits from poverty alleviation activities under TACIS worth €3 million per year.

Title	Budget (€ million)	
	National	Regional (benefiting the 5 Central Asia countries)
TACIS Action Programme 2001	10.0	-
TACIS Action Programme 2002	8.3	11.0
TACIS Action Programme 2003	7.5	15.0
TACIS Action Programme 2004	6.2	14.0
Total	33.0	30.0

Source: European Commission RELEX

The Food Security Programme focuses on the poorest of the population through budget support combined with technical assistance (policy advice) to the Ministries of Agriculture and the Ministry of Social Protection. Between 1994 and 2003 Kyrgyzstan received €94 million under the FSP.

In 2003 the EU also co-financed a project to reform police forces in Kyrgyzstan after expressing the need to improve the interface between the population and police and the general need to improve the rule of law in Kyrgyzstan.

4. Trade

EU-Kyrgyzstan trade relations are extremely limited. The EU's main exports to Kyrgyzstan are electrical equipment, machinery, vehicles, optical and surgical precision instruments, and iron and steel products. The main European imports from Kyrgyzstan are gold, cotton and non-

ferrous metals. The EU had a balance of trade deficit with Kyrgyzstan between 1998 and 2001. In 2002, however, this had become a surplus for the EU. The 1998 Russian financial crisis contributed to the fall in imports from Kyrgyzstan. Kyrgyzstan has benefited from the generalised system of preferences since 1 January 1993. The EU maintains its important position as second exporter to Kyrgyzstan outside the CIS (after China). In January 2003, 9.3 percent of total imports into Kyrgyzstan came from the EU. However, the EU's role as importer of Kyrgyz goods remains modest. Only 1.5 percent of Kyrgyz exports were received by EU countries. Kyrgyzstan's main European trading partners are Germany, the Netherlands, Spain, Italy, Belgium and France.

5. The role of the European Parliament

The European Parliament remains, of course, interested in Kyrgyzstan, as it is in all the Central Asian republics, but its approach is based on a regional perspective. Thus, aside from the economic aspects of the EU-Kyrgyzstan and EU-Central Asia partnerships, the EP has examined the problems arising in human rights, the environment and energy²⁶. As regards human rights, the EP has recently repeated its call for the Kyrgyz authorities to open up real dialogue with opposition parties²⁷ as well as an independent inquiry into allegations of torture and ill-treatment suffered by detainees.

²⁶ EP Resolution on the Ministerial Conference on the Environment held in Sofia in October 1995. (OJ C 249, 25.9.1995).

²⁷ As regards human rights and political dialogue, the EP called on the national authorities in 2002 to review the specific case of Azimbek Beknazarov, chairman of the Kyrgyz Parliamentary Committee on Judicial and Legal Reforms, officially arrested for abuse of power and unofficially for having criticised President Akayev.

ANNEX

ANNEX I

MAP OF KYRGYZSTAN



ANNEX 2: KYRGYZTAN ECONOMIC DATA

	2000	2001	2002	2003	2004
GDP Growth %	5.40	5.30	0.00	6.70	6.2
GDP US\$bn	1.37	1.53	1.61	1.91	2.1
GDP Per Capita US\$	279.88	309.39	322.20	379.01	421.10
Inflation (CPI) %	18.70	6.89	2.04	3.05	3.4
Total Population (m)	4.92	4.96	5.00	5.05	5.1
Exports of goods fob (US\$m)	511	480	498	590	700
Imports of goods fob (US\$m)	-506	-441	-553	-673	-863
Unemployment rate %	7.54	7.84	8.58	8.98	8.55
Exchange Rate Som:US\$	47.70	48.38	46.94	43.65	42.74

MAIN TRADING PARTNERS 2003

EXPORTS TO	SHARE OF TOTAL %
Switzerland	21.3
Russia	16.5
UAE	14.4
China	11.7
Kazakstan	7.8
Uzbekistan	5.9
Turkey	3.0
Japan	2.8
Tajikistan	2.2
United States	2.0

IMPORTS TO	SHARE OF TOTAL %
China	29.7
Russia	17.4
Kazakstan	15.6
Uzbekistan	7.6
Netherlands	5.2
United States	4.7
Germany	3.8
Turkey	2.6
Ukraine	1.0
Italy	1.0

WMRC January 2004

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