

# Central Asia in a Reconnecting Eurasia

*Kyrgyzstan's Evolving Foreign  
Economic and Security Interests*

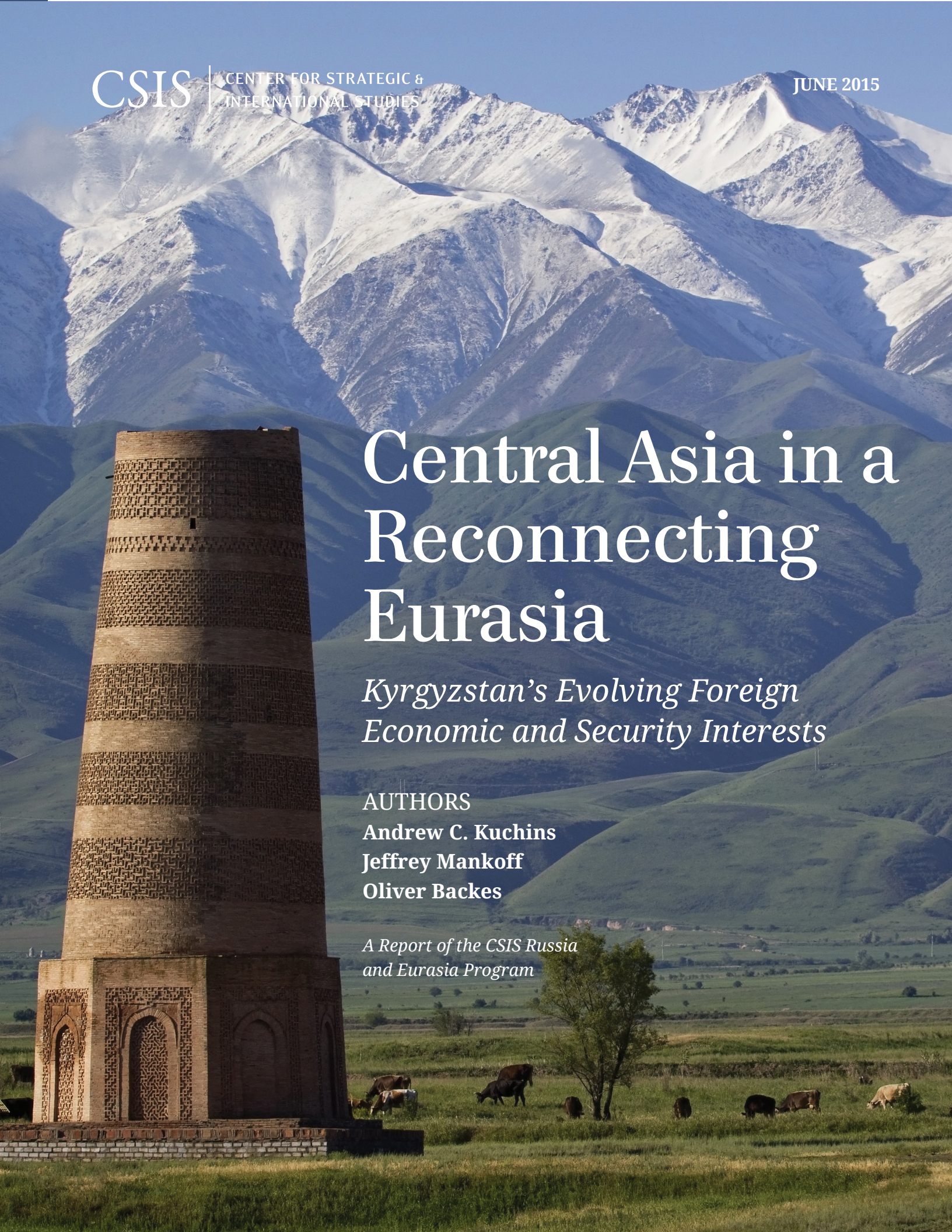
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Andrew C. Kuchins

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*A Report of the CSIS Russia  
and Eurasia Program*





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# Preface

In January 2014 the CSIS Russia and Eurasia Program launched its new *Eurasia Initiative*. The vast Eurasian landmass, stretching from China in the East to Europe in the West and from the Arctic in the North to the Indian Ocean in the South, includes some of the world's most powerful and dynamic states, as well as some of the world's most intractable challenges. Scholars and analysts are accustomed to focusing on Eurasia's various regions—Europe, the former Soviet Union, East Asia, South Asia, and Southeast Asia—rather than on the interactions between them. The goal of the *Eurasia Initiative* is to focus on these interactions, while analyzing and understanding Eurasia in a more comprehensive way.

More than any time since the collapse of the Silk Road five centuries ago, today we have to focus on Eurasia as a whole. Over the past two decades, Eurasia has begun to slowly reconnect, with the emergence of new trade relationships and transit infrastructures, as well as the integration of Russia, China, and India into the global economy. Even as this reconnection is underway, the center of economic dynamism in Eurasia, and in the world as a whole, has increasingly shifted to the East. The impact of these shifts is potentially enormous, but they remain poorly understood because of our tendency to limit analysis to a single country or region within the broader Eurasian space.

The first fruits of the *Eurasia Initiative* include the report you are holding in your hands, one of the five country studies making up our report series *Central Asia in a Reconnecting Eurasia*. Our decision to start with Central Asia stems from a concern that the drawdown of U.S. and allied troops from Afghanistan will augur declining international interest in the region, which has played a critical role over the course of the conflict. For U.S. policymakers, turning away from Central Asia now would be a serious miscalculation. The five states of Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan) are located at the heart of the Eurasian landmass, in close proximity to four of Washington's biggest foreign policy challenges: Afghanistan/Pakistan, Iran, Russia, and China. For that reason alone, the United States has a strong interest in developing economic and security ties with the states of Central Asia, and doing so in a way that is no longer driven by the exigencies of the war in Afghanistan, but is responsive to the needs and interests of the region itself, as well as enduring U.S. interests.

So in the spring, summer, and fall of 2014 we embarked on a “listening tour” to Central Asia that included extended visits to each country, where we interviewed government officials, experts, private-sector actors, and representatives of international organizations

to understand how Central Asian elites perceive the economic and security environment changing around them. We sought to discover how they are coming to define their national interests in the post-Afghanistan conflict world, including what they would like to see from the United States.

This report and the others in the series reflect what we gleaned from these interviews, along with analysis of published data and secondary literature, to provide a broad overview of how Central Asia sees the world. We should emphasize that the focus of these reports is on the foreign economic and security policies of the five Central Asian states. These reports do not seek to address domestic political issues, human rights, and many other issues, not because we think they are unimportant, but rather because we are interested in the strategic implications of a reconnecting Eurasia, which means concentrating on how these countries interact with the outside world. Of course, internal issues often do impact foreign ties. For instance, one of the main impediments to foreign investment in Central Asia is corruption, coupled with inefficient regulatory frameworks and bureaucratic institutions. The reports analyze these phenomena, but only insofar as they affect the Central Asian states' engagement with the outside world.

Central Asia lies at the heart of the Eurasian landmass, and in many ways has the most to gain from the process of transcontinental reconnection. That process can only reach its full potential however, if the interests of the Central Asian states themselves are given proper consideration. The goal of the *Central Asia in a Reconnecting Eurasia* series is to analyze the perspectives of these countries, and bring them to the attention of policy makers in the United States.

# Acknowledgments

There are many institutions and individuals to which we would like to express our gratitude for their crucial roles in the production of this report and others in the series. We would first like to thank the Smith Richardson Foundation, the Ministry of Foreign Affairs of the Republic of Kazakhstan, and Carlos Bulgheroni for their generous financial support for this project. We would also like to thank the Carnegie Corporation of New York for their support of the CSIS Russia and Eurasia program. We would like to thank all of the government officials, experts, private-sector actors, and representatives of international organizations that graciously shared their thoughts with us during our “listening tour.” We would also like to express our particular gratitude to the Embassies of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan in the United States for their assistance in the facilitation of our research trips to their respective countries. Ambassadors Kairat Umarov of Kazakhstan; Kadyr Toktogulov and Muktar Djumaliev of Kyrgyzstan; Farhod Salim of Tajikistan; Meret Orazov of Turkmenistan; and Bakhtiyar Gulyamov of Uzbekistan deserve special thanks. Dana Kurmasheva with the Foreign Ministry of Kazakhstan, Dana Masalimova with the Embassy of Kazakhstan, Mukhamed Lou with the Embassy of Kyrgyzstan, Abat Fayzullaev with the Embassy of Uzbekistan, and Mirlan Isamidinov with the Diplomatic Academy of the Ministry of Foreign Affairs of the Kyrgyz Republic named after K. Dikambaev also deserve special thanks.

We would further like to express our gratitude to the members of our *Eurasia Initiative* advisory council, all of whom have provided critical guidance throughout the project. The advisory council includes: Najia Badykova; Stephen Benson; Edward Chow; Ambassador William Courtney; Rosemarie Forsythe; Roger Kangas; Ambassador Batu Kutelia; Johannes Linn; Michael Matera; Martha Brill Olcott; David Sedney; Craig Steffensen; and Ambassador Kairat Umarov. Aitolkyn Kourmanova, Marlène Laruelle, and Timur Shaimergenov also deserve thanks for their insights. Finally, we would like to thank the many present and former members of the CSIS Russia and Eurasia Program staff who contributed to this project, including: Yulia Danilina; Eric Griffith; Kendra Harkins; Peter Krivicich; Allen Maggard; Sung In Marshall; Kirill Prudnikov; Dylan Royce; Narek Sevacheryan; Jason Siler; and Nic Wondra.

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# 1 | The View from Bishkek

Kyrgyzstan, a small country with a population of just 5.6 million, few natural resources, and the smallest economy in Central Asia, pursues unsurprisingly modest national goals. High-level Kyrgyz officials emphasize stability as the key to the long-term viability of the state, critical both for its own sake and, most importantly, as a crucial precursor for sustainable economic development and preservation of the relatively open political culture that has made Kyrgyzstan distinct in Central Asia.

Stability has unfortunately been in short supply since independence. During the past two decades, Kyrgyzstan has experienced two revolutions (the Tulip Revolution in 2005 that ousted President Askar Akayev and another in 2010 that ousted President Kurmanbek Bakiyev), along with bouts of ethnically based violence, including clashes that killed hundreds (mostly ethnic Uzbeks) in the Fergana Valley in 2010. Kyrgyzstan has also endured economic malaise, exacerbated by a lack of natural resources and corruption. Bishkek remains occupied by threats to its internal security, which emanate in part from forces beyond Kyrgyzstan's borders. These include religious extremism and terrorism, narcotics trafficking, and ethnic tensions that threaten to undermine its efforts to create a sense of civic identity.

Kyrgyzstan's geography also contributes to its fear of instability. Kyrgyzstan is bordered to the north by Kazakhstan, to the west by Uzbekistan, and by China to the east. It is separated from Afghanistan only by what officials view as an increasingly unstable Tajikistan. Kyrgyzstan is heavily mountainous, and its peaks divide the country into distinct northern and southern regions, each with its own political factions and ethnic makeup. Lacking hydrocarbons, though rich in mineral resources, the Kyrgyz economy heavily depends on ties with Russia, China, and, for energy imports, Kazakhstan.

Kyrgyzstan's foreign policy also aims at shoring up domestic stability, while securing the country's distinctive political culture and avoiding excessive dependence on any single foreign power. Vulnerability and fear of instability have combined to keep Kyrgyzstan closely aligned with former hegemon Russia. In recent years, China has emerged as Kyrgyzstan's most important economic partner but, since Kyrgyzstan lacks hydrocarbon resources, this economic relationship is fickle, centering for now on the re-export of Chinese consumer goods. Relations with the other states of Central Asia are complicated by the mistrust its authoritarian neighbors express for Kyrgyzstan's democratic experiment,

## Kyrgyzstan



Source: Based on a United Nations map, <https://upload.wikimedia.org/wikipedia/commons/f/f4/Un-kyrgyzstan.png>.

and their concerns about the potential for Kyrgyzstan to become a failed state. Bishkek would like to deepen its ties to outside powers, including the United States, but the draw-down of allied forces from Afghanistan, coupled with small size and lack of oil and gas, have made Kyrgyzstan a lower priority for the United States.

Nevertheless, Kyrgyz officials believe that their incipient democracy represents a competitive advantage and will support their country's stability and economic viability over the longer term. In 2011, Kyrgyzstan experienced the first peaceful transfer of power in Central Asia when interim President Roza Otunbayeva handed over power to current President Almazbek Atambayev following a broadly free election, and the country now appears to be a genuine, if fragile and often dysfunctional, democracy.<sup>1</sup> Kyrgyzstan also

1. Since 2011, the Polity IV Project has ranked Kyrgyzstan as an incomplete democracy, and the Economist's Democracy Index considers it a hybrid regime, with high scores for the electoral process and civil rights, but its main flaw being the poor functioning of government. See "Authority Trends, 1991–2013: Kyrgyzstan," Policy IV, 2014, <http://www.systemicpeace.org/polity/kyr2.htm>.

has Central Asia's only real multiparty system; in 2012, parliamentary dissatisfaction with the allegedly corrupt Prime Minister Omurbek Babanov led to the collapse of his governing coalition and his replacement by Djoomart Otorbaev who himself resigned in April 2015.<sup>2</sup> Many of our Kyrgyz interlocutors argued that Bishkek's democratic experiment should give the United States a particular interest in deepening its engagement with Bishkek.

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2. "Kyrgyzstan: Surprising No One, Governing Coalition Collapses," *Eurasianet*, August 22, 2012, <http://www.eurasianet.org/node/65810>.

## 2 | Kyrgyzstan's Foreign Economic and Security Policy

While Bishkek views ensuring stability as its highest priority, Kyrgyz officials and policy documents describe a threat environment in which domestic sources of instability are complemented and, in some cases, exacerbated by external threats. Official policy documents such as the 2013 Military Doctrine list terrorism and extremism, both homegrown and foreign, as the primary threats Kyrgyzstan faces,<sup>1</sup> a concern echoed in our interviews with government officials. Other major threats include regional issues such as drug trafficking and tensions over resources—most notably water and energy—along with domestic challenges including separatism and ethnic tension.

As a result of its emphasis on stability, Kyrgyzstan's primary foreign policy objective is to maintain friendly relations with all neighbors and outside powers. As one senior Kyrgyz official put it, Kyrgyzstan's agenda for the future is to avoid opposing or contradicting the interests of neighbors and partners. In practice, Bishkek maintains a relatively passive foreign policy stance, balancing between the competing interests of its Central Asian neighbors, Russia, China, and others, all in the pursuit of stability and security. One official summed up the country's precarious high-wire act as "Kyrgyzstan . . . trying to balance its external commitments, since it does not have resources of its own."

Experts and officials with whom we spoke stated or alluded to an understanding at the highest levels of Kyrgyzstan's limited freedom of choice in foreign policy. The emphasis on stable regional relations and bilateral engagement is an attempt to make the best of a difficult situation. As one Kyrgyz analyst put it, the main factor for Kyrgyzstan is "regional security, however it is achieved." Kyrgyzstan's policy of noncontradiction in foreign policy and friendly relations with all is meant to promote stability while also capitalizing on the economic opportunities of a reconnecting Eurasia. Beyond this overarching goal, Kyrgyzstan outlines two primary vectors in its foreign policy strategy. The first is resetting relations with its Central Asian neighbors Kazakhstan, Tajikistan, and Uzbekistan, as well as with China. Second is developing a new level of strategic cooperation with Russia. Another broad area of emphasis is the promotion of economic ties through increased transit and trade linkages both within Central Eurasia and also with other outside regions.

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1. Jim Nichol, *Kyrgyzstan: Recent Developments and U.S. Interests*, Congressional Research Service, August 30, 2013, <http://fas.org/sgp/crs/row/97-690.pdf>.

## Central Asia



Source: Based on a United Nations map, <http://www.un.org/Depts/Cartographic/map/profile/centrasia.pdf>.

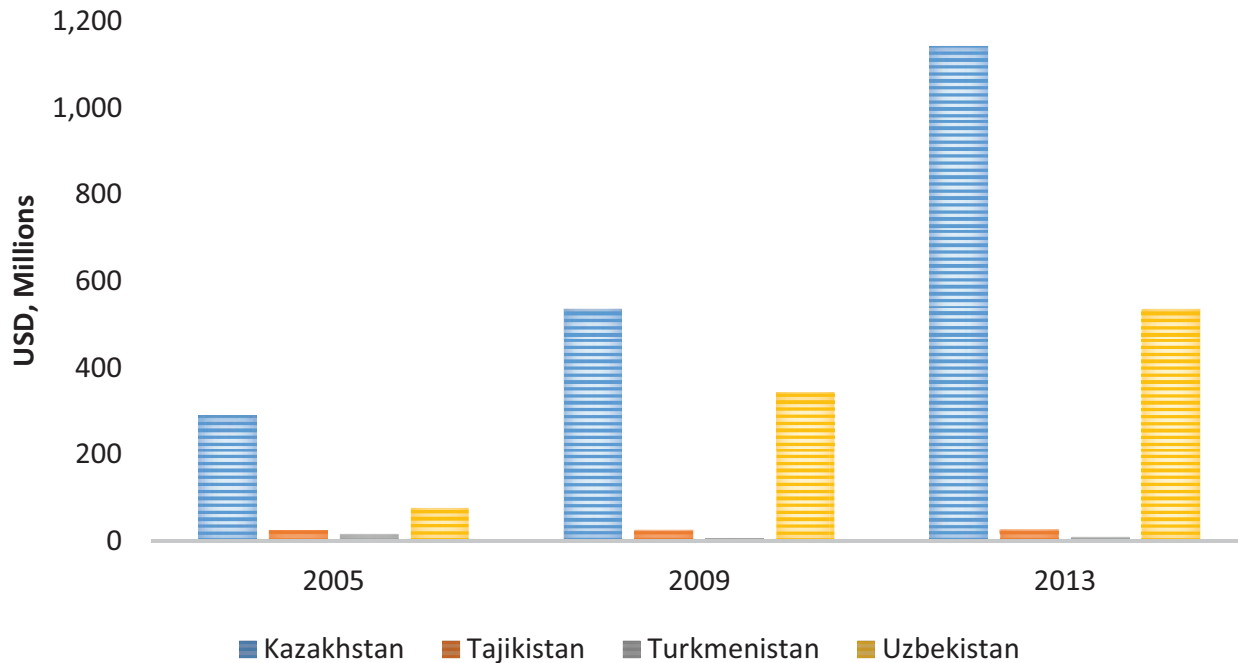
In this context, the United States, the European Union, the Arab world, and Southeast Asia are all desirable economic partners.

## Central Asia

Kyrgyzstan lists Central Asia as its principal area of foreign policy emphasis. Surrounded by Kazakhstan to the north, China to the east, Tajikistan to the south, and Uzbekistan to the west, both Kyrgyzstan's economic development strategies and its ability to maintain domestic security and stability are in many ways contingent on its relationships with immediate neighbors.

Trade with Central Asia accounts for 14.5 percent of total trade turnover. The importance of trade with Central Asia reflects Kyrgyzstan's relative disconnectedness from global markets. Kyrgyzstan's trade with Central Asia is tilted toward Kazakhstan and Uzbekistan, which together account for 97.9 percent of Kyrgyzstan's trade ties in Central

## Kyrgyzstan's Trade with Central Asia



Source: International Monetary Fund Direction of Trade Statistics and author calculations.

Asia. Most importantly, Central Asia is a key export market for a country starved of markets where its goods can compete, a point often repeated by Kyrgyz officials. While Central Asia accounts for less than one-fifth of Kyrgyzstan's total trade, it takes around 30 percent of Kyrgyz exports (two-thirds of which go to Kazakhstan) according to data published by Kyrgyzstan's National Statistics Agency.

Kazakhstan is also the fifth-largest source of foreign direct investment (FDI) in Kyrgyzstan, ahead of even Russia, with a total FDI stock of \$177 million as of 2012. Kyrgyz officials note the importance of Kazakhstan as both an export destination and an outlet to foreign markets, a key issue related to Kyrgyzstan's decision to accede to the Eurasian Economic Union (EEU). Despite significant problems in the bilateral relationship, Kyrgyzstan also maintains a strong economic relationship with Uzbekistan. Bilateral trade grew from slightly more than \$77 million in 2005 to more than \$500 million in 2013.

Kazakhstan is by far Kyrgyzstan's most critical economic partner in Central Asia. Total trade flows reached \$1.14 billion in 2013, accounting for nearly 10 percent of Kyrgyzstan's total trade and two-thirds of its trade within Central Asia.<sup>2</sup> At its peak, Kazakhstan was a top investor in Kyrgyzstan, though FDI has fallen recently due to a contraction overall in the foreign activities of Kazakh banks. In 2007, before the global financial crisis, Kazakh

2. Unless otherwise specified, all trade data come from the International Monetary Fund (IMF) Direction of Trade Statistics (DOTS) database and author calculations based on that data.

banks controlled up to 50 percent of the Kyrgyz banking market. Around \$15 million in remittances from an estimated 6,000 migrants<sup>3,4</sup> working in Kazakhstan were sent back in 2012, making Kazakhstan the fifth-largest source of remittances to Kyrgyzstan. Kazakhstan is also a primary avenue for Kyrgyzstan's exports to the wider world and it is one of two countries (Uzbekistan being the other) with which Kyrgyzstan has an outward-facing rail link. Moreover, one of the primary rationales for Bishkek's decision to join the Customs Union and the Eurasian Economic Union is to be on the inside of the single customs region and have free access to the Kazakh market.

Kyrgyz officials describe relations with Kazakhstan as good and on a positive trajectory, though one official did note that Kazakhstan is skeptical of Bishkek's experiment in democratic governance. While a final resolution of their 1,051-km border has yet to be ratified, reports indicate that most outstanding issues have been resolved and the process is expected to be finalized in 2015.<sup>5</sup> Kazakhstan has also in recent months offered energy assistance to Kyrgyzstan, which is facing an energy shortage due primarily to the cutoff of gas supplies from Uzbekistan as well as lower-than-expected hydropower production. In October 2014, Kazakhstan announced that it would sell 400 million kilowatt hours (kWh) of electricity through the end of 2014 and an additional 1.4 billion kWh the following year, in exchange for water from Kyrgyzstan.<sup>6</sup>

Border disputes between Kyrgyzstan and several neighbors pose both a conventional security threat and act as a brake on regional cooperation. The border with Kazakhstan has largely been demarcated in recent years,<sup>7</sup> but in the poor and densely populated Fergana Valley, which Kyrgyzstan shares with Tajikistan and Uzbekistan, the situation has worsened. Here, borders intertwine to render some settlements dependent on access to foreign territory, enclave others entirely, and create so-called chessboard villages, in which two countries each exercise a measure of sovereignty, the limits of which are determined not by borders, but by the ethnic majority of each neighborhood.

A significant portion of the Kyrgyzstan-Uzbekistan border in the Fergana Valley is disputed. Though there have not yet been any direct clashes, there have been several incidents that involved security forces on one side or the other,<sup>8</sup> and the situation remains tense. Instances of cross-border and ethnic violence have led the two countries to

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3. "Annual Remittances Data," World Bank, October 2014, <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDECPROSPECTS/0,,contentMDK:22759429~pagePK:64165401~piPK:64165026~theSitePK:476883,00.html>.

4. "International migrant stock: By destination and origin," United Nations Department of Economic and Social Affairs, Population Division, International Migration, <http://www.un.org/en/development/desa/population/migration/data/estimates2/estimatesorigin.shtml>.

5. "Юридическое оформление границы Казахстана с Кыргызстаном завершат в 2015 году," *Zakon.kz*, November 10, 2014, <http://www.zakon.kz/4666718-juridicheskoe-oformlenie-granicy.html>.

6. Аска́т Турусбе́ков, "Казахстан экспортирует в Кыргызстан 1,4 млрд кВт·ч электроэнергии," *BNews.kz*, October 28, 2014, <http://bnews.kz/ru/news/post/236114/>.

7. "Delimitation and Demarcation of State Border," Ministry of Foreign Affairs of the Republic of Kazakhstan, <http://www.mfa.kz/index.php/en/foreign-policy/current-issues-of-kazakhstan-s-foreign-policy/delimitation-and-demarcation-of-state-border>.

8. "Kyrgyzstan & Uzbekistan: Border Quarrel Poses Political Test for Karimov," *Eurasianet*, January 23, 2013, <http://www.eurasianet.org/node/66438>.

## The Fergana Valley



THE MAP DOES NOT IMPLY THE EXPRESSION OF ANY OPINION ON THE PART OF THE AGENCIES CONCERNING THE LEGAL STATUS OF ANY COUNTRY, TERRITORY, CITY OR AREA OF ITS AUTHORITY, OR DELINEATION OF ITS FRONTIERS AND BOUNDARIES.

Source: GRID-Arendal, [http://www.grida.no/graphicslib/detail/oblasts-in-the-ferghana-valley-area\\_7488](http://www.grida.no/graphicslib/detail/oblasts-in-the-ferghana-valley-area_7488).

repeatedly close and reopen the border over the past decade, and Kyrgyz officials report that Uzbekistan has taken even more dramatic steps, such as the digging of ditches at border crossings to prevent the flow of people, vehicles, or goods. The two countries have been engaged in discussions on border delimitation since late 2013, and reports indicate that progress is forthcoming, if slowly.<sup>9, 10</sup>

Disputes with Uzbekistan, moreover, overlay ethnic tension between ethnic Kyrgyz and ethnic Uzbek populations within Kyrgyzstan. According to the 2009 Census, Kyrgyzstan is home to 769,400 ethnic Uzbeks, who account for 14.3 percent of the total population. The vast majority of these ethnic Uzbeks speak Uzbek as their first language, with less than a quarter speaking Kyrgyz as a second language and Bishkek imposing restrictions on Uzbek

9. Demir Azizov, "Uzbekistan, Kyrgyzstan discuss state border protection issues," *Trend*, July 12, 2014, <http://en.trend.az/casia/uzbekistan/2293608.html>.

10. "Uzbekistan, Kyrgyzstan continue negotiations on border delimitation and demarcation," *KazInform*, January 29, 2014, <http://kazinform.kz/eng/article/2625843>.

language education.<sup>11</sup> In June 2010, riots and gun battles erupted in the southern city of Osh, leaving nearly 500 people dead, about three-quarters of them ethnic Uzbeks. While government forces eventually restored order and sought to prosecute those responsible for the unrest, Uzbeks comprised more than two-thirds of those accused of murder, leaving many Uzbeks to accuse Bishkek of ethnic favoritism—a charge the Kyrgyz government strongly denies.<sup>12, 13</sup>

Water is another source of tension. As an upstream state on the Syr Darya River, Kyrgyzstan is in a position to control the flow of water to downstream neighbors. During the Soviet period, water was provided in exchange for gas and other energy supplies; however, that system collapsed with the USSR, and Kyrgyzstan, Uzbekistan, and Tajikistan remain deadlocked over water sharing. Uzbekistan opposes the Kambarata-1 and -2 dam projects.<sup>14</sup> Kyrgyz officials, meanwhile, point to Kambarata-1 as a necessary component of their economic development strategy and decry what they see as Uzbek obstruction. Russia's partial financing of Kambarata-1 only increases these concerns.

While water, energy, trade, and infrastructure cooperation are ostensibly economic issues, they have increasingly taken on political overtones as well. Uzbekistan halted gas supplies to Kyrgyzstan following the purchase by Gazprom of Kyrgyzstan's state gas company and gas network in April 2014,<sup>15</sup> a move that has only exacerbated the divide between the two countries. Some commentators urged Kyrgyzstan to restrict the flow of water into Uzbekistan in retaliation.

Kyrgyzstan's relationship with southern neighbor Tajikistan is minimal. Trade in 2013 amounted to only \$26 million, less than 1 percent of Kyrgyzstan's total trade within Central Asia. As one official put it, it makes little sense for Kyrgyzstan and Tajikistan to trade with one another, as both are resource poor and landlocked. Rather, Tajikistan uses Kyrgyzstan primarily as a transit state for exports and re-exports to Russia via Kazakhstan. As upstream states, Kyrgyzstan and Tajikistan do have shared interests on the issue of water.

Kyrgyzstan's primary concerns regarding Tajikistan are tied to security and fear of spillover from Afghanistan. Kyrgyzstan views Tajikistan as a transit state for narcotics,

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11. "Population and Housing Census of the Kyrgyz Republic of 2009," National Statistical Committee of the Kyrgyz Republic, 2009, [https://unstats.un.org/unsd/demographic/sources/census/2010\\_phc/Kyrgyzstan/A5-2PopulationAndHousingCensusOfTheKyrgyzRepublicOf2009.pdf](https://unstats.un.org/unsd/demographic/sources/census/2010_phc/Kyrgyzstan/A5-2PopulationAndHousingCensusOfTheKyrgyzRepublicOf2009.pdf).

12. Michael Schwartz, "Ethnic Rioting Ravages Kyrgyzstan," *New York Times*, June 13, 2010, [http://www.nytimes.com/2010/06/14/world/asia/14kyrgyz.html?\\_r=0](http://www.nytimes.com/2010/06/14/world/asia/14kyrgyz.html?_r=0).

13. Joanna Lillis, "Kyrgyzstan: Reconciliation Elusive Two Years After Osh Violence," *Eurasianet*, June 9, 2012, <http://www.eurasianet.org/node/65523>.

14. "Water Pressures in Central Asia," International Crisis Group, Europe and Central Asia Report, September 11, 2014, 233, <http://www.crisisgroup.org/~media/Files/europe/central-asia/233-water-pressure-in-central-asia.pdf>.

15. "Gazprom: Uzbekistan halts gas supplies to southern Kyrgyzstan," *4-traders*, April 14, 2014, <http://www.4-traders.com/GAZPROM-OAO-6491735/news/Gazprom-Uzbekistan-halts-gas-supplies-to-southern-Kyrgyzstan-18267084/>.



Source: Background layer attributed to DEMIS Mapserver, maps created by Shannon1 via Wikimedia Commons, [http://en.wikipedia.org/wiki/Syr\\_Darya#/media/File:Syr\\_daryamap.png](http://en.wikipedia.org/wiki/Syr_Darya#/media/File:Syr_daryamap.png) and [http://en.wikipedia.org/wiki/Amu\\_Darya#/media/File:Amudaryamap.jpg](http://en.wikipedia.org/wiki/Amu_Darya#/media/File:Amudaryamap.jpg).

radical Islamist ideas, and other security threats that emanate from Afghanistan, and lacks faith in Dushanbe's ability to secure its southern border. Only about half of Kyrgyzstan's border with Tajikistan is finally delimited, and tensions along it have increased since 2014. The first firefight between regular Kyrgyz and Tajik forces occurred in January 2014, producing a number of casualties, though there are not believed to have been any deaths. Both sides also seem to be escalating their military presence in the region.<sup>16</sup> Negotiations on border demarcation, which reportedly resumed in October 2014 after a six-month

16. "Enclaves in Central Asia: The post-imperial chessboard," *The Economist*, April 1, 2014, <http://www.economist.com/blogs/banyan/2014/04/enclaves-central-asia>.

## Amu Darya Watersheds



hiatus,<sup>17, 18</sup> remain deadlocked, and while progress has been reported,<sup>19</sup> there are few prospects for resolution in the short term.<sup>20</sup>

17. “Таджикистан и Кыргызстан возобновили переговоры по границе,” *Avesta.tj*, October 30, 2014, <http://www.avesta.tj/security/28738-tadzhikistan-i-kyrgyzstan-vozobnovili-peregovory-po-granice.html>.

18. Darya Podolskaya, “Kyrgyzstan and Tajikistan resume negotiations on border delimitation,” *24.kg*, October 27, 2014, <http://www.eng.24.kg/news-stall/172882-news24.html>.

19. Oleg Salimov, “Border Dispute at the Center of Tajik-Kyrgyz Meeting,” *The Central Asia-Caucasus Analyst*, September 3, 2014, <http://www.cacianalyst.org/publications/field-reports/item/13039-border-dispute-at-the-center-of-tajik-kyrgyz-meeting.html>.

20. David Trilling, “Kyrgyzstan & Tajikistan: Memo from a Fergana Flashpoint,” *Eurasianet*, March 12, 2014, <http://www.eurasianet.org/node/68132>.

According to our interlocutors, ethnic tensions also fuel extremism, as some Uzbeks who feel alienated from the state are attracted to the ideology of groups like Hizb ut-Tahrir that seek to demolish state boundaries altogether. The Kyrgyz government has banned Hizb ut-Tahrir, but the organization continues to operate, especially in impoverished rural areas in the Fergana Valley.<sup>21</sup> The civil war in Syria has also emerged as a driver of radicalization; around 100 Kyrgyz militants are believed to be currently fighting for Islamist groups in Syria, mainly the Islamic State in Iraq and Syria (ISIS).<sup>22</sup> A report from the International Crisis Group also notes that ethnic Uzbeks from southern Kyrgyzstan make up a large portion of the Central Asian populations that have joined ISIS.<sup>23</sup> One senior official we spoke with said that approximately 200 Kyrgyz are currently fighting in Iraq and Syria, while another 150 are doing so in northern Afghanistan.

## Russia

Moscow is the dominant outside force affecting Bishkek's foreign policy. Kyrgyzstan has robust economic ties with Russia and relies on Russia as its main provider of security; Bishkek also lists the development of a new level of strategic cooperation with Russia as one of the two main goals of its foreign policy. Kyrgyz officials repeatedly echoed the necessity of deepening ties with Russia, both economically through the Eurasian Economic Union and on security and military matters.

There appears to be near-unanimous agreement within the Kyrgyz elite regarding the necessity of prioritizing ties with Russia. One of the most important factors in this regard is economic. In late 2014, Kyrgyzstan signed accession protocols to join the Russian-led Eurasian Economic Union, though full accession will not come into effect until May 2015; officials argue that membership will provide increased access to some of Kyrgyzstan's most important regional markets and enhance the country's attractiveness to foreign investment.

Russia remains one of the most critical foreign economic partners for Kyrgyzstan, and for reasons that go beyond simply trade or investment flows. Russian trade with Kyrgyzstan has grown at an annualized rate of nearly 21 percent during the 2005–2013 period, bringing total bilateral trade turnover to over \$2.3 billion in 2013 (up from slightly more than \$500 million in 2005). Russia's share of Kyrgyzstan's overall trade declined, however, to 20 percent in 2013 (from 30 percent in 2005) as China has emerged as Bishkek's most important trading partner.<sup>24</sup>

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21. Jacob Zenn, "Kyrgyzstan Increasingly Vulnerable to Militant Islamism," *The Central Asia-Caucasus Analyst*, March 5, 2014, <http://www.cacianalyst.org/publications/analytical-articles/item/12929-kyrgyzstan-increasingly-vulnerable-to-militant-islamism.html>.

22. Ibid.

23. "Syria Calling: Radicalisation in Central Asia," International Crisis Group Europe and Central Asia Briefing, January 20, 2015, 72, [http://www.crisisgroup.org/en/regions/asia/central-asia/b072-syria-calling-radicalisation-in-central-asia.aspx?utm\\_source=linkedin&utm\\_medium=post&utm\\_campaign=central-asia-briefing](http://www.crisisgroup.org/en/regions/asia/central-asia/b072-syria-calling-radicalisation-in-central-asia.aspx?utm_source=linkedin&utm_medium=post&utm_campaign=central-asia-briefing).

24. In 2013, Kyrgyzstan's exports to Russia amounted to approximately \$100 million, or less than 1 percent of Kyrgyzstan's total exports; imports from Russia, however, comprise nearly 19 percent of Kyrgyzstan's total.

According to data published by the International Monetary Fund (IMF), Russia was also Kyrgyzstan's sixth-largest source of FDI, with a total stock of \$132 million as of 2012. However, data published by the Kyrgyz government show Russia as the second-largest investor in Kyrgyzstan, with total stock of investment at \$5.1 billion for the last 10 years. Moscow has officially supported key projects such as the Kambarata-1 and Naryn hydropower projects, as well as the upgrading of Kyrgyzstan's domestic gas infrastructure; however, officials and analysts expressed frustration for what they view as the Russian policy of over-promising and under-delivering on investment. Others noted that there is often an implicit political dimension to Russia's investments. A \$1.7 billion credit for Kambarata-1 promised to the Bakiyev government in 2009 was withheld over corruption concerns, though analysts speculate that Moscow's displeasure over the U.S. military's presence at Manas air base was a key factor as well.<sup>25, 26</sup> Additionally, one official told us that Russian electricity monopoly InterRAO's interest in Kambarata-1 is "about controlling water in arid regions" in Central Asia, rather than commercial considerations.

Gazprom's 2014 purchase of Kyrgyzgaz (now Gazprom-Kyrgyzstan) is an oft-cited example of the intertwining of Russian investment and political ambitions. The deal for Kyrgyzgaz (for the symbolic price of \$1),<sup>27, 28</sup> which at the time was deeply indebted, nearly bankrupt, and largely unable to meet Kyrgyzstan's domestic energy needs on its own, came with a commitment from Gazprom to guarantee stable supplies and upgrade Kyrgyzstan's energy infrastructure, including \$609 million in investment in the first five years, as well as to assume Kyrgyzgaz's debt.<sup>29</sup> In return, Moscow gained control of the entirety of Kyrgyzstan's domestic energy infrastructure.<sup>30</sup>

Perhaps the strongest economic tie binding Kyrgyzstan to Russia is the flow of remittances from Kyrgyz migrants. With its mediocre economic performance, low levels of foreign investment, and a growing population not matched by an attendant expansion of the labor market, Kyrgyzstan has over time become increasingly dependent on remittances. At present, one-fifth of the working-age population labors abroad, approximately 80 percent in Russia. Recent data shows that remittances from the more than 500,000

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And while Kyrgyz officials claimed in interviews that Kyrgyzstan is the third-largest exporter of textiles to Russia, exports have been cut nearly in half since 2011.

25. "Kyrgyzstan: Moscow Withholding Promised Aid to Bishkek," *Eurasianet*, February 15, 2010, <http://www.eurasianet.org/departments/insightb/articles/eav021610.shtml>.

26. Chris Rickleton, "Russian Concerns over Central Asia Threaten Kyrgyzstan Hydroelectric Plant," *Oil Price*, April 30, 2013, <http://oilprice.com/Alternative-Energy/Hydroelectric/Russian-Concerns-over-Central-Asia-Threaten-Kyrgyzstan-Hydroelectric-Plant.html>.

27. Casey Michel, "Russia's Chokehold on Kyrgyzstan," *The Diplomat*, October 3, 2014, <http://thediplomat.com/2014/10/russias-chokehold-on-kyrgyzstan/>.

28. "Gazprom Takes Over Kyrgyzgaz," Radio Free Europe/Radio Liberty, April 10, 2014, <http://www.rferl.org/content/kyrgyzstan-gazprom-buys-kyrgyzgaz/25327986.html>.

29. Vladimir Soldatkin and Olga Dzyubenko, "Gazprom takes over Kyrgyz gas network, vows stable supply," Reuters, July 29, 2013, <http://uk.reuters.com/article/2013/07/29/gas-kyrgyzstan-gazprom-idUKL6N0FZ0WN20130729>.

30. Asel Kalybekova, "Kyrgyzstan Swaps One Problem for Another with Russian Natural Gas Deal," *Oil Price*, August 3, 2013, <http://oilprice.com/Latest-Energy-News/World-News/Kyrgyzstan-Swaps-one-Problem-for-Another-with-Russian-Natural-Gas-Deal.html>.

migrants working in Russia in 2012<sup>31, 32</sup> amounted to approximately \$1.6 billion.<sup>33</sup> Overall, around 31 percent of Kyrgyzstan's GDP comes from remittances, the third-highest figure worldwide.<sup>34, 35</sup> Moscow's ability to choke off the flow of remittances, or to expel migrants, thus represents a critical source of leverage. At the same time, Russia's economic troubles and the decline of the ruble could also negatively impact the real value of remittances and reduce available opportunities in Russia, damaging Kyrgyzstan's economy indirectly.

President Atambayev signed the treaty of accession to the Russian-led EEU on December 23, 2014, at a meeting of the Eurasian Economic Council. Atambayev stated that Kyrgyzstan would be ready for full accession on May 9, 2015, when the accession treaty will be formally ratified.<sup>36</sup> Russia offered hundreds of millions of dollars in assistance to increase the attractiveness of the EEU and smooth the transition.<sup>37</sup>

Nevertheless, among Kyrgyz elites, the assessments of the EEU were decidedly mixed. Many argued that the EEU's laws are limited to economic matters, and that the union will serve to boost the profile of Kyrgyzstan abroad, helping attract FDI. Others were unequivocal in their characterization of the EEU as a Russian-led project, a "political union," albeit one with a large economic dimension, and as an "image project" for Russian President Vladimir Putin that will allow him to "stick [his] nose" into Central Asian matters. One group of analysts we spoke with referenced a report produced by the Kyrgyz government that emphasizes the need to maintain consensus among the country's five main political parties and generally strengthen its democratic political system, which sets it apart from its neighbors as a means of limiting its assimilation into the EEU.

Kyrgyz officials almost unanimously believed that, for economic reasons, Bishkek has no alternative to membership. One Western diplomat with whom we spoke was highly critical of this argument, however, suggesting that it reflected Bishkek's unwillingness to seriously consider its alternatives, though some of our Kyrgyz interlocutors replied that Bishkek had no alternatives precisely because the West had failed to offer any.

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31. "International migrant stock: By destination and origin," United Nations Department of Economic and Social Affairs.

32. "Central Asia and its Russian dependence: Remittance man," *The Economist*, September 7, 2013, <http://www.economist.com/news/asia/21584999-russia-attempts-draw-tajikistan-and-kyrgyzstan-back-its-orbit-remittance-man>.

33. "Annual Remittances Data," World Bank.

34. "Migration and Remittance Flows: Recent Trends and Outlook, 2013–2016," World Bank Migration and Development Brief 21, October 2, 2013, <http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1288990760745/MigrationandDevelopmentBrief21.pdf>.

35. John C. K. Daly, "Kyrgyz Migrants Under Pressure in Russia," *Silk Road Reporters*, November 17, 2014, <http://www.silkroadreporters.com/2014/11/17/kyrgyz-migrants-pressure-russia/>.

36. Chris Rickleton, "Kyrgyzstan Signs Up for Eurasian Union, with Another Delay," *Eurasianet*, December 23, 2014, <http://www.eurasianet.org/node/71461>.

37. Arslan Sabymbekov, "Kyrgyz Government Approves Customs Union Road Map," *The Central Asia-Caucasus Analyst*, June 4, 2014, <http://www.cacianalyst.org/publications/field-reports/item/12985-kyrgyz-government-approves-customs-union-road-map.html>.

In the eyes of the Kyrgyz government, the economic benefits of EEU membership outweigh the costs. Several Kyrgyz officials named their country's need for export markets as a crucial factor in its seeking EEU membership. According to one, the situation for Kyrgyz exports is dire without the EEU markets, as Uzbekistan is closed, Tajikistan is small and poor, and Kyrgyz goods are uncompetitive almost everywhere else. Others expressed hope that EEU membership will attract foreign direct investment to Kyrgyzstan, as its low labor costs combined with EEU membership will provide investors easier, lower-cost access to the Russian and Kazakh markets. Officials have claimed talk of Chinese companies moving some of their production to Kyrgyzstan, but so far these claims have extended only to Chinese textile producers moving production to Kyrgyzstan in order to avoid the EEU's re-export restrictions.<sup>38</sup> Foreign diplomats with whom we spoke were less convinced that Kyrgyzstan could become a target for foreign investment within the EEU given its poor infrastructure, corruption, and low labor productivity.

Finally, and perhaps most crucially, it is Kyrgyz dependence on remittances from migrant workers in Russia that makes EEU membership critical. While the EEU guarantees the free movement of labor to its members, Russia has been tightening travel regulations for all other members of the Commonwealth of Independent States (CIS).<sup>39</sup> In this context, officials are concerned that Kyrgyz migrants, and consequently the entire Kyrgyz economy, could suffer if Kyrgyzstan does not join the EEU. The issue of labor migration has been hotly discussed during Kyrgyzstan's accession negotiations, including during a joint session of the Russian and Kyrgyz parliaments in November 2013,<sup>40</sup> and some in Kyrgyzstan believe that Moscow is exploiting the migrant issue to pressure Bishkek into joining the EEU.<sup>41</sup>

A variety of other factors contributing to Kyrgyzstan's decision to accede to the EEU were proposed during our conversations with officials and analysts. One former high-ranking government official pointed first to noneconomic factors, arguing that President Atambayev is primarily interested in membership because of concerns about domestic and regional instability. Other officials identified increased bargaining power vis-à-vis Tajikistan and Uzbekistan on issues such as water and territorial disputes as a secondary factor. On the whole, however, Kyrgyz elites were in broad-based agreement that Kyrgyzstan's decision to join the EEU is a voluntary one made almost entirely for economic reasons.

From our interviews, however, it is clear that many Kyrgyz elites see political undertones in Russia's push for integration. One high-ranking official, after touting the economic benefits of the Eurasian Economic Union, noted that Russia has "an imperial mind-set." Another expert pointedly called "questions of an integrational character" one of the

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38. "Chinese businessmen are looking for new places to take out the production and Kyrgyzstan can be this place—Sariev," *Kabar*, November 10, 2011, <http://kabar.kg/eng/economics/full/11366>.

39. "Russia toughens migration policy for CIS citizens," *Russia Beyond the Headlines*, June 24, 2014, [http://rbth.com/news/2014/06/24/russia\\_toughens\\_migration\\_policy\\_for\\_cis\\_citizens\\_37673.html](http://rbth.com/news/2014/06/24/russia_toughens_migration_policy_for_cis_citizens_37673.html).

40. Malika Giles, "Kyrgyzstan, Eyeing Customs Union, Frets Over Migrant Workers in Russia," *The Moscow Times*, November 22, 2013, <http://www.themoscowtimes.com/sitemap/free/2013/11/article/kyrgyzstan-eyeing-customs-union-frets-over-migrant-workers-in-russia/490050.html>.

41. Hamid Tursunov and Bakyt Ibraimov, "Russian Blacklist Keeps Central Asian Migrants Out," *Eurasianet*, March 24, 2014, <http://www.eurasianet.org/node/68184>.

greatest threats to Kyrgyzstan's national security. Kyrgyz officials argue that the lack of alternative news sources means that the Kyrgyz public tends to receive only the Russian perspective, including on international issues like the Ukraine crisis as well as the EEU.

The second primary factor contributing to Kyrgyzstan's emphasis on relations with Moscow is its focus on security and stability. Put simply, Kyrgyzstan's armed forces are unable to guarantee the country's security due to their small size and relative underdevelopment.<sup>42</sup> Kyrgyzstan relies heavily on Russia, both bilaterally and under the auspices of the Collective Security Treaty Organization (CSTO), to guarantee its security. Kyrgyzstan is undertaking a military modernization program with Russian assistance at an estimated total cost of \$1 billion. Officials in Bishkek value the CSTO's capability to provide security to the entire Central Asian region and, in the words of one official, "to do it on its own." A number of high-ranking officials indicated strong support for the development of joint CSTO military forces, including the Collective Rapid Reaction Force, to which Kyrgyzstan reportedly contributes an infantry battalion. In interviews, Kyrgyz officials draw a critical distinction between the CSTO itself and Russia, its dominant member. "The CSTO is not Moscow," said one official.

During the ethnic violence that rocked southern Kyrgyzstan in June 2010, Kyrgyz officials repeatedly requested CSTO peacekeeping assistance. Both Russian and CSTO officials denied those requests on the grounds that Kyrgyzstan's instability was domestic in nature and that the CSTO could only respond, in the words of then-Russian President Dmitry Medvedev, "in the case of a foreign intrusion and an attempt to externally seize power."<sup>43</sup> In 2012, the CSTO created its own Collective Peacekeeping Force (KMS), which conducts annual peacekeeping exercises dubbed "Unbreakable Brotherhood."<sup>44</sup> These exercises focus on responding to ethnic conflicts, terrorist actions, and the invasion of a member state.<sup>45</sup> Kyrgyzstan hosted the most recent Unbreakable Brotherhood exercise in August 2014.<sup>46</sup>

Kyrgyzstan is also home to the Russian air base in Kant, which doubles as a CSTO facility, and a Russian naval testing facility on Lake Issyk Kul. The leasing rights to both bases were extended through 2032 (with a possible five-year extension as well) during a summit meeting between Russian President Vladimir Putin and Kyrgyz President Almazbek Atambayev in September 2012. The base at Kant, which holds approximately 500

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42. Kyrgyzstan has the second-smallest military force in Central Asia, consisting of approximately 10,900 overall troops (made up of an 8,500-person army and a 2,400-person air force). This force is supplemented by a paramilitary service of nearly equal size (9,500 troops) divided between the border service (5,000), the interior forces (3,500), and the national guard (1,000). See "The Military Balance: Chapter Five: Russia and Eurasia," International Institute for Strategic Studies, February 10, 2015, 182–183.

43. Miriam Elder, "Kyrgyzstan tests Russia's regional commitments," *GlobalPost*, June 15, 2010, <http://www.globalpost.com/dispatch/russia/100614/kyrgyzstan-ethnic-violence>.

44. Joshua Kucera, "CSTO Holds First-Ever Peacekeeping Exercises," *Eurasianet*, October 8, 2012, <http://www.eurasianet.org/node/66023>.

45. Joshua Kucera, "CSTO Peacekeepers Drill in Russia, Preparing for What?," *Eurasianet*, October 9, 2013, <http://www.eurasianet.org/node/67606>.

46. "CSTO member-states begin Unbreakable Brotherhood's 2014 war games in Kyrgyzstan," *ITAR-TASS*, July 29, 2014, <http://en.itar-tass.com/world/742665>.

Russian airmen as well as a contingent of Russian military aircraft, lies only miles from the Manas Transit Center, which the United States leased until June 2014. Atambayev had announced during his presidential campaign that he would terminate the U.S. lease, a decision many analysts put down to Russian pressure. However, our interlocutors in Bishkek stressed that the decision to close Manas was mainly due to domestic politics as the base was associated by a majority of Kyrgyz with the corruption of the Bakiyev government. Moscow also committed to assisting Kyrgyzstan in the modernization of its armed forces during negotiations over the future of the Manas Transit Center. In 2013, Russia made good on its promise in the form of a \$1.2 billion military assistance package,<sup>47</sup> which, according to President Atambayev, includes deliveries of artillery pieces, tanks, shoulder-fired anti-aircraft missiles and other military equipment.<sup>48</sup>

## China

According to one senior official with whom we spoke, Kyrgyzstan's relations with China are at their highest level since independence and continue to improve. Economic considerations are by far the main driving force in the Kyrgyzstan-China relationship; however, security issues are increasingly playing a role as well. Kyrgyzstan shares an 858-km border with China's restive Xinjiang Uyghur Autonomous Region, and Beijing views stability in Kyrgyzstan and its Central Asian neighbors as an important element of maintaining stability in Xinjiang. For the most part, Kyrgyz officials view China as a nonthreatening economic partner and are not overly concerned by China's large (and expanding) role in the Kyrgyz economy.

While there is an understanding that China has its own national interests and is actively attempting to strengthen its influence in Kyrgyzstan and the wider region, Kyrgyz officials expressed a preference for China over other partners. China was often discussed in implied comparison with Russia and the United States, with officials stating that China, unlike others, "does not dictate" and expressing appreciation that "China does not beat [Kyrgyzstan] up over human rights." China's growing economic weight is nevertheless a concern in some quarters. Another former official with responsibilities for the relationship with China stated that "relations should stay at the level of two partners rather than donor-recipient," even though Kyrgyzstan's imports from China dwarf exports to China by a ratio of nearly 100:1. China is a new and growing market, a source of substantial investment, and a country interested in developing (and funding) regional transit infrastructure and integration projects. Furthermore, China is an outside power interested in maintaining security and stability in Central Asia, which Kyrgyzstan understands is viewed by China as a strategic rear.

Since 2005, bilateral trade has grown by about 60 percent per year, for a total turnover of \$5.65 billion in 2013 (or nearly half of Kyrgyzstan's total trade with the outside world). In

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47. Kokab Farshori, "Russia Boosts Military, Economic Ties with Kyrgyzstan," Voice of America, March 7, 2014, <http://www.voanews.com/content/russia-boosts-military-economic-ties-with-kyrgyzstan/1867000.html>.

48. "Kyrgyzstan gets military support from Russia," UPI, December 16, 2013, [http://www.upi.com/Top\\_News/Special/2013/12/16/Kyrgyzstan-gets-military-support-from-Russia/52311387205478/](http://www.upi.com/Top_News/Special/2013/12/16/Kyrgyzstan-gets-military-support-from-Russia/52311387205478/).

absolute terms, that increase amounts to a 43-fold increase in the bilateral economic relationship in less than 10 years. Kyrgyz officials with whom we spoke indicated that trade with China may actually outpace the official statistics. One official valued trade between the two countries at \$10 billion in 2012, with the caveat that 40 percent to 50 percent of that trade takes place off the books. China's role as an investor in Kyrgyzstan has also grown, with total FDI stock increasing from \$92 million in 2009 to \$334 million in 2012. Our interlocutors noted that China has invested significantly through its export-import bank in projects including the development of domestic road infrastructure and electrical substations, and buoyed Kyrgyz efforts to expand oil refining capacity and investment in agriculture.

By joining the World Trade Organization (WTO) in 1998 (the first post-Soviet state to do so), Kyrgyzstan gained the ability to import Chinese goods at reduced prices, which it would then re-export at a profit to Russia, Kazakhstan, Uzbekistan, and other states. Today, the bulk of Kyrgyzstan's trade with China consists of imports that are re-exported to Russia or Kazakhstan.<sup>49</sup> As China increasingly exports directly to Kazakhstan, however, cutting out the Kyrgyz middleman, the opportunities for Kyrgyz re-exports are diminishing. This decline will likely only continue to intensify, as Russia joined the WTO in 2012 and Kazakhstan will likely enter soon. In addition, when Kyrgyzstan joins the Eurasian Economic Union, it will likely have to adopt a common tariff that is higher than current rates and will further circumscribe its ability to profit from re-exporting.<sup>50</sup>

Kyrgyzstan is a strong supporter of Chinese President Xi Jinping's Silk Road Economic Belt (SREB) initiative. Bishkek views the SREB as an opportunity to attract investment in new infrastructure while capturing a piece of the expanding Eurasian trade pie. While the SREB, as initially articulated, should improve connectivity and increase trade across the board, it will inevitably further increase Kyrgyz dependence on Chinese investment and trade ties with its eastern neighbor.

Part of the rationale for the SREB is to promote economic development and hence (in China's view) stability both domestically and regionally. As the International Crisis Group wrote in 2013, the core of China's Xinjiang strategy is "the creation of close ties between Xinjiang and Central Asia, with the aim of reinforcing both economic development and political stability."<sup>51</sup> Kyrgyz officials expressed an understanding of China's emphasis on stability. There is a small Uyghur diaspora in Kyrgyzstan, amounting in the most recent census to 52,500 people (or roughly 1 percent of Kyrgyzstan's total population), but Kyrgyzstan's more open political culture offers Uyghur dissidents a potential home.

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49. One World Bank study estimated that Chinese re-exports accounted for as much as 90 percent of total Kyrgyz exports, and 10 percent of Kyrgyz GDP, in 2006 (though much of this is not derivable from official statistics, with as much as half of Sino-Kyrgyz trade conducted off the books, according to one official). See Bartłomiej Kaminski, "How Kyrgyzstan Has Seized Opportunities Offered by Central Asia's Economic Recovery," World Bank, February 24, 2008, 1–2, [http://siteresources.worldbank.org/INTKYRGYZ/Resources/2\\_Bart\\_Eng.pdf](http://siteresources.worldbank.org/INTKYRGYZ/Resources/2_Bart_Eng.pdf).

50. "Central Asia and its Russian dependence," *The Economist*.

51. "China's Central Asia Problem," International Crisis Group Asia Report, February 27, 2013, 244, <http://www.crisisgroup.org/~media/files/asia/north-east-asia/244-chinas-central-asia-problem.pdf>.

One of the key avenues for China-Kyrgyzstan security cooperation is the Shanghai Cooperation Organization (SCO). In addition to its focus on issues of economic development and cooperation, the SCO has placed a strong emphasis on security cooperation, most notably in combating the threats posed by the “three evils” of extremism, terrorism, and separatism. The SCO is viewed very favorably in Kyrgyzstan, with more than one official calling it the most “authoritative” multilateral grouping in Eurasia, despite what is viewed as, to date, a dearth of practical impact. Kyrgyz officials praise the SCO for its convening capacity and its work fostering trust and cooperation among member states in addressing terrorism and religious extremism. The SCO is also viewed as having a role in addressing potential spillover from Afghanistan following the withdrawal of international forces. Kyrgyz officials would nevertheless like to see a greater economic role for the organization and a transition to a greater emphasis on multilateralism. As one former official stated, the SCO “should become a guarantor of relations among the Central Asian states.” Furthermore, Kyrgyzstan would like to see SCO engagement with other organizations and regional blocs, including the European Union, the Association of Southeast Asian Nations (ASEAN), the United Nations, and NATO.

## Turkey

Turkey is one of the few countries with which Kyrgyzstan maintains a robust economic relationship without the benefit of a direct geographic proximity. Several of our interlocutors pointed to a shared Turkic and democratic identity fueling an interest in deepening bilateral ties. Trade has seen an annualized growth rate of 31.5 percent since 2005, burgeoned by daily air connectivity between two of Kyrgyzstan’s main cities (Bishkek and Osh) and Istanbul, a rarity for a country as isolated from global markets as Kyrgyzstan. According to officials, much of the \$460 million in annual trade turnover (3.9 percent of Kyrgyzstan’s total) is composed of the purchase of services from Turkey. Imports from Turkey (\$430 million) have grown by nearly 12 times in the last decade, while exports to Turkey have actually declined in recent years—and remain relatively insignificant.

President Atambayev has longstanding personal connections to Turkey and has spoken of Turkey as Kyrgyzstan’s “main strategic partner” and “motherland.” He made his first official visit as president to Turkey in January of 2012, seeking to emphasize Kyrgyzstan’s independence from Russia and drum up Turkish foreign investment.

The *Hizmet* (Gülen) movement also has a significant presence in Kyrgyzstan, operating around ten schools and a university.<sup>52</sup> Some observers worry that, with Kyrgyzstan’s relatively open political climate, money from Turkish religious foundations and

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52. Bayram Balcı, “What Future For the Fethullah Gülen Movement in Central Asia and the Caucasus?,” *Central Asia-Caucasus Institute Analyst*, July 2, 2014, <http://www.cacianalyst.org/publications/analytical-articles/item/13006-what-future-for-the-fethullah-g%C3%BClen-movement-in-central-asia-and-the-caucasus?.html>.

Gülen-affiliated businesses is, even if inadvertently, bolstering the ranks of Islamist groups, including Hizb ut-Tahrir.<sup>53</sup>

## Afghanistan and South Asia

Though Kyrgyzstan does not share a border with Afghanistan, the country remains a key concern for Kyrgyz policymakers. A number of high-ranking officials stated that the main threats to their country emanate from Afghanistan and would continue to do so after the drawdown of the International Security Assistance Force (ISAF). Kyrgyzstan views Afghanistan as an incubator for and exporter of security threats, including extremism and drug trafficking. The porous Afghan-Tajik and Tajik-Kyrgyz borders facilitate the export of narcotics through southern Kyrgyzstan and the spread of radical ideas. Kyrgyz officials and experts are also generally pessimistic about Afghanistan's future stability and worry that disorder there is likely to spill over into Central Asia. Kyrgyzstan lies along the main transit corridor for heroin making its way from Afghanistan to Russia and Europe. In part due to corruption within its own counternarcotics and border agencies, Kyrgyzstan intercepts only about 2 percent or 3 percent of the drugs that transit its territory.<sup>54</sup> In addition, many of the groups that profit from narcotics trafficking also have ties to radical Islamism.<sup>55</sup> The 2010 Osh riots were also in part sparked by fighting among gangs involved in the drug trade.<sup>56</sup> Some officials consequently argue that trafficking remains the greatest threat to Kyrgyzstan's security.

Kyrgyzstan considers post-2014 Afghanistan to be a source of instability that must be addressed on a regional basis through the two parallel, complementary tracks of ensuring regional security and promoting economic development. Officials praised efforts by the CSTO to bolster Tajikistan against cross-border security threats from Afghanistan, plans initially announced at the CSTO Collective Security Council summit in September 2013.<sup>57</sup> Kyrgyzstan would also like to see U.S. and NATO collaboration with the CSTO and SCO on efforts to bolster Central Asia against spillover from Afghanistan, including on the issue of the Tajik-Afghan border, as well as regional security more broadly.

Many officials pointed to Afghanistan's economic development as a critical component of any regional security strategy. It is "important to build up Afghanistan after the withdrawal," said one security official. Kyrgyzstan will contribute to such efforts on both a bilateral and multilateral basis. The Kyrgyz business community is reportedly interested in Afghanistan and trade between the two countries; while still small in absolute terms at

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53. Каныбек Жаркынбаев, "Разыграть карту Кыргызстана не прочь и Турция," *ЦентрАзия*, May 29, 2012, <http://www.centrasia.ru/newsA.php?st=1338276480>.

54. Alexander Kupatadze, "Kyrgyzstan—A virtual narco-state?," *International Journal of Drug Policy* 25 (2014): 1179, [http://www.ijdp.org/article/S0955-3959\(14\)00015-2/pdf](http://www.ijdp.org/article/S0955-3959(14)00015-2/pdf).

55. *Ibid.*, 1182.

56. "Kyrgyzstan Unrest Reveals Influence of Drug Money, Organized Crime," *Voice of America*, June 28, 2010, <http://www.voanews.com/content/kyrgyz-unrest-highlights-influence-of-organized-crime—97389924/165934.html>.

57. Vladimir Putin, "Press statement following the CSTO Collective Security Council Summit," Presidential Press and Information Office/Kremlin.ru, September 23, 2013, <http://eng.kremlin.ru/transcripts/6025>.

approximately \$63 million in 2013, trade has been growing at a rate of 22.5 percent over the past decade.

Kyrgyzstan is also a key player in multilateral energy and infrastructure projects that aim to foster Afghanistan's economic development, particularly electricity generation. Officials view the Central Asia and South Asia Power Transmission Project (CASA-1000), through which Kyrgyzstan (as well as Tajikistan) will export electricity to Afghanistan and Pakistan,<sup>58</sup> as a critical contribution to stabilizing Afghanistan. Officials also outlined a willingness to assist through the provision of construction materials and other goods, as well as stating that Kyrgyzstan could serve as a neutral venue for political dialogue at either the Track 1 or Track 2 level.

## European Union

Collectively, the European Union made up only slightly more than 5 percent of Kyrgyzstan's total trade in 2013. Bilateral trade peaked in 2008 at more than \$750 million, or 13.5 percent of Kyrgyzstan's total trade, only to fall precipitously during the global economic crisis. Discussions of the European Union did not figure prominently in the thoughts of Kyrgyz policymakers we spoke with; rather, Europe was often discussed in the context of overall relations with the West and the United States. One senior official said that while Kyrgyzstan is prepared to further cooperate with the United States and the EU, "doors need to be open" in Brussels.

## United States

There is broad consensus within Kyrgyzstan that relations with the United States remain underdeveloped. Kyrgyz officials complain that Washington is uninterested in either broadening or deepening the relationship. One high-ranking official characterized the difficulty as stemming from the fact that "the United States is like a beautiful woman—after being with her four or five times, her interest fades. While U.S. power is great, it dissipates with close contact."

Kyrgyzstan recognizes that it is neither the largest, nor the richest, nor, frankly, the most important state in Central Asia for U.S. interests. However, elites view Kyrgyzstan as a valuable partner for the United States and remain frustrated that this interest is not always reciprocated. As the only parliamentary democracy in Central Asia, Kyrgyzstan sees shared values as a reason why the United States should have a stake in its success. Our interlocutors pointed to Kyrgyzstan's "model of Islamic, post-Soviet democracy" and ongoing efforts to build a sustainable and stable democratic state as key justifications for greater U.S. interest, despite the paucity of economic and security ties. Others expressed genuine surprise and disappointment that the United States has not done more to build ties

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58. James Liston, "Afghanistan" (presentation at CSIS, Washington, DC, June 6, 2014), [http://csis.org/files/attachments/140606\\_Info\\_Afghanistanppt\\_0.pdf](http://csis.org/files/attachments/140606_Info_Afghanistanppt_0.pdf).

with Kyrgyzstan's fledgling democracy in a region bereft of liberal democratic partners. One former Kyrgyz official underscored this frustration, stating that, unlike some of its Central Asian neighbors, Kyrgyzstan "does not have the resources to buy the world's sympathy."

Kyrgyz officials do acknowledge and appreciate that the United States has supported civil society, nongovernmental organizations, and reform programs, noting positively that the U.S. Agency for International Development (USAID) increased its funding for Kyrgyzstan in 2013, despite budgetary cutbacks elsewhere in Central Asia. However, Kyrgyz elites see the United States as having tunnel vision, focusing on democracy promotion and human rights to the exclusion of other aspects of the bilateral relationship. Some Kyrgyz experts and officials expressed frustration with U.S. initiatives that allegedly run afoul of Kyrgyz social norms (particularly Washington's emphasis on LGBT rights).

To a degree, data on foreign assistance channeled through USAID supports this assessment. In 2012 (the most recent year for which a detailed breakdown is available), approximately 20 percent of U.S. assistance (\$22.4 million) went to projects related to business and industry, financial, banking, trade policy, energy, agriculture, and transportation. In comparison, 21 percent went to conflict prevention and resolution and another 21 percent to government and civil society, while a quarter of all aid went to social infrastructure and services. Kyrgyzstan does not want the United States to cease its support for democratization and civil society programs; rather, our interlocutors would generally like to see them continue, but within the context of a recalibration of U.S. assistance to prioritize economics and business.

As throughout Central Asia, a desire for enhanced economic ties with the United States was by far the most common and most loudly echoed theme in our conversations with Kyrgyz elites. Kyrgyzstan's trade with the United States was only \$120 million in 2013, or slightly more than 1 percent of Kyrgyzstan's total trade turnover. Furthermore, the trade balance is tilted heavily toward U.S. exports to Kyrgyzstan (\$116 million), with minimal Kyrgyz exports to the massive U.S. market (\$3.2 million). Similarly, Kyrgyzstan reported only \$64 million per year in FDI from the United States during the 2009–2012 period. This figure is far behind Kyrgyzstan's average reported figures for Russia (\$112.7 million), Kazakhstan (\$158.8 million), or China (\$213.2 million, though peaking at \$334 million in 2012). Some Kyrgyz officials see the dearth of economic ties as reflecting a more general lack of U.S. interest.

One official with whom we spoke proposed an Agreement on Transparency in Matters Related to International Trade and Investment, such as the United States signed with Mongolia in 2013, as one mechanism for facilitating deeper economic ties. As a different high-ranking official put it, "Political ties follow economic ties." Kyrgyz officials espouse a readiness to move closer to the West in political terms, but want to see reciprocity in the form of greater trade ties and investment flows. More than once, officials linked Kyrgyzstan's

decision to join the Eurasian Economic Union to a lack of economic alternatives, particularly greater trade and investment ties to the United States.

Conversations with Kyrgyz elites reveal, however, some key practical and conceptual barriers to increased trade and investment cooperation with the United States. For both the government and Kyrgyz business, U.S. standards and practices remain opaque and difficult to navigate, presenting a serious technical barrier to economic cooperation. Furthermore, some Kyrgyz officials argued that the lack of trade and investment ties was the result of U.S. government policy, rather than a reflection of Kyrgyzstan's own shortcomings. As one official put it, "U.S. businesses do not decide for themselves where to invest, but respond to what the government tells them to do." Such misconceptions, which fit into a broader narrative that the U.S. perception of Kyrgyzstan is neither objective nor fair, exacerbate the consequences of limited economic ties.

## 3 | Kyrgyzstan in a Reconnecting Eurasia

Kyrgyzstan's foreign economic relations reflect what the National Sustainable Development Strategy calls a “transport deadlock.” Kyrgyzstan remains comparatively disconnected from the global marketplace for a variety of reasons, including its geographic location and a lack of access to transit infrastructure and competitiveness in global markets, and political disputes with its neighbors.

Kyrgyzstan has nonetheless seen a considerable expansion of its trade in recent years. Total trade turnover increased nearly sevenfold to \$11.8 billion between 2005 and 2013, for an annualized rate of growth of approximately 27 percent per year. Kyrgyzstan has, however, become increasingly dependent on a select few trading partners that are geographically proximate. Taken together, bilateral trade with China, Russia, and its Central Asian neighbors accounted for more than 82 percent of Kyrgyzstan's total trade in 2013.

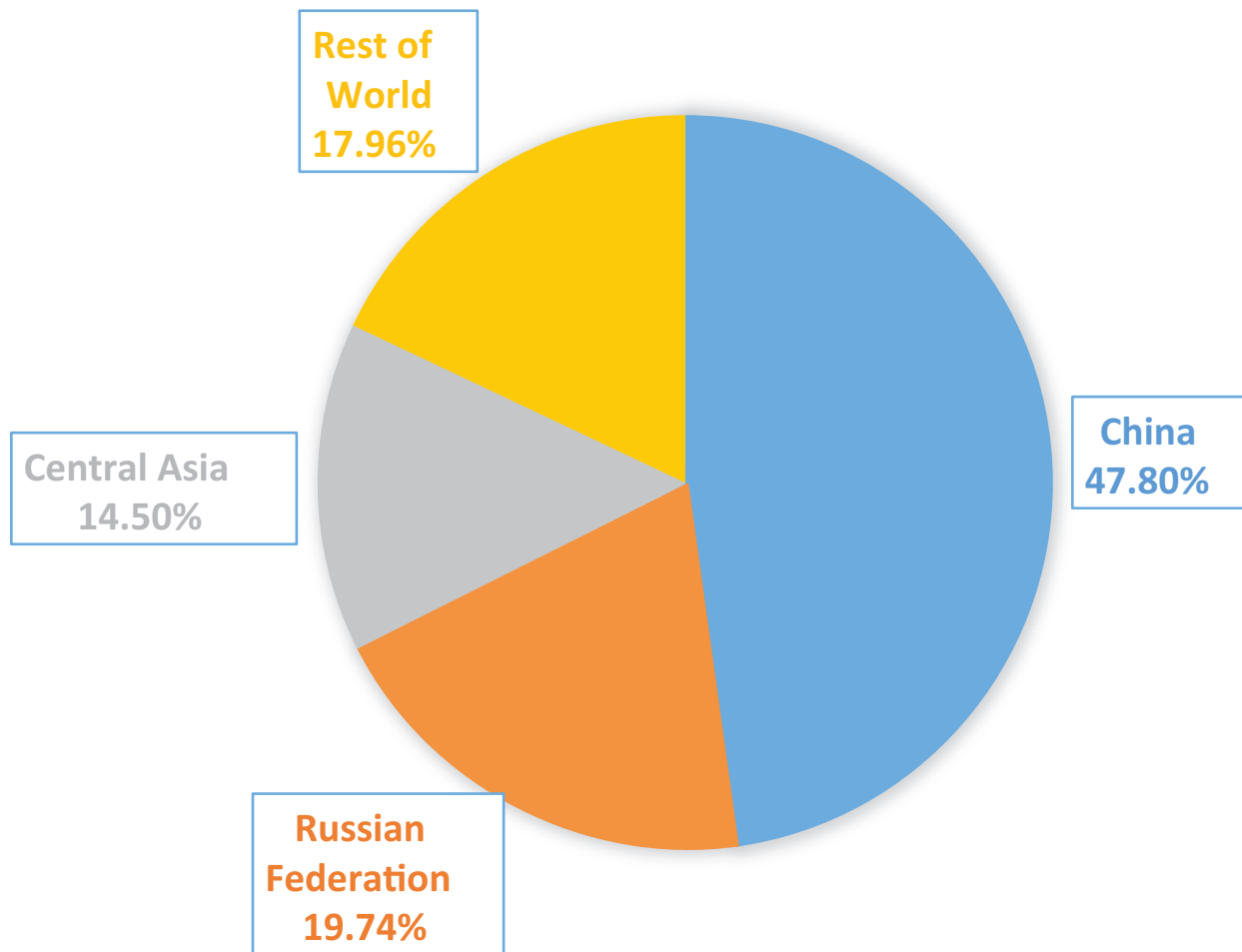
According to IMF statistics, however, the growth in Kyrgyzstan's trade has been one-sided. Trade growth has been driven by the expansion of imports; Kyrgyzstan continues to run a considerable trade deficit, which amounted to slightly more than \$10 billion in 2013.<sup>1</sup> In interviews, officials and analysts emphasized that policymakers in Bishkek are committed to improving the trade balance, with one official pointing to the growing role afforded domestically produced goods in trade with China (though the data does not wholly bear this out). Overall, the government is committed to spurring the development of domestic industry, with an eye toward promoting the export of domestically produced goods while moving away from an economy heavy on re-export.

For the most part, Kyrgyzstan lacks the natural resources that have buoyed the economies of other Central Asian states such as Turkmenistan and Kazakhstan. Kyrgyzstan is home to considerable deposits of mineral resources, including gold and other metals. However, many analysts believe that the greatest opportunity for growth lies in expanding generation of hydroelectric power for sale to neighboring states. Bishkek has made the development of such projects a key aspect of its ongoing effort to reduce corruption and improve project management.

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1. The annualized growth of imports to Kyrgyzstan from 2005 to 2013 (32.7 percent) outpaced the growth of Kyrgyzstan's exports (7.5 percent) by more than four times; during that same period, the trade deficit ballooned from \$477 million in 2005 to \$9.55 billion in 2013.

## Kyrgyzstan's Global Trade in 2013



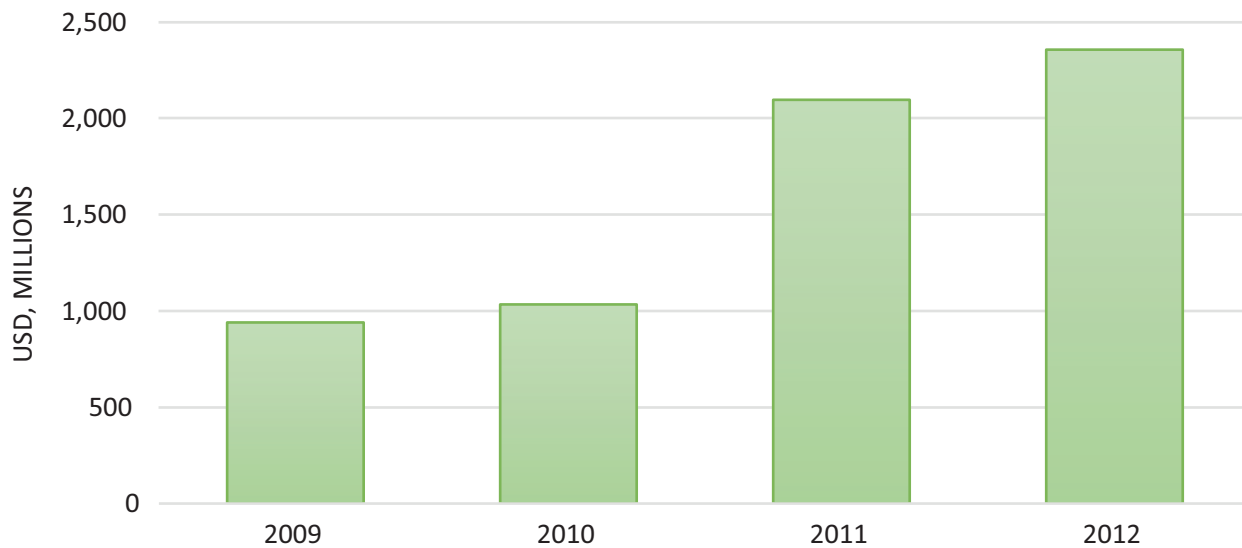
Source: International Monetary Fund Direction of Trade Statistics and author calculations.

## Annualized Growth in Kyrgyzstan's Global Trade Ties, 2005–2013

Partner Country/Group	Growth Rate	Value in 2005 (USD millions)	Value in 2013 (USD millions)
World	27.01%	1,745	11,817
Central Asia	19.63%	409	1,714
Russia	20.83%	513	2,333
China	60.31%	129	5,649
European Union	19.09%	150	606
Turkey	31.48%	52	461
United States	6.89%	71	120
South Asia	18.35%	28	107
Middle East	−4.84%	188	127

Source: International Monetary Fund Direction of Trade Statistics and author calculations.

## Total FDI Stock in Kyrgyzstan, 2009–2012



Source: International Monetary Fund Coordinated Direct Investment Survey.

The attraction of foreign direct investment is a point of major emphasis for Kyrgyzstan's economic development plans. According to data compiled by the International Monetary Fund, total FDI doubled in a single year from 2010 (\$1.03 billion) to 2011 (\$2.1 billion).

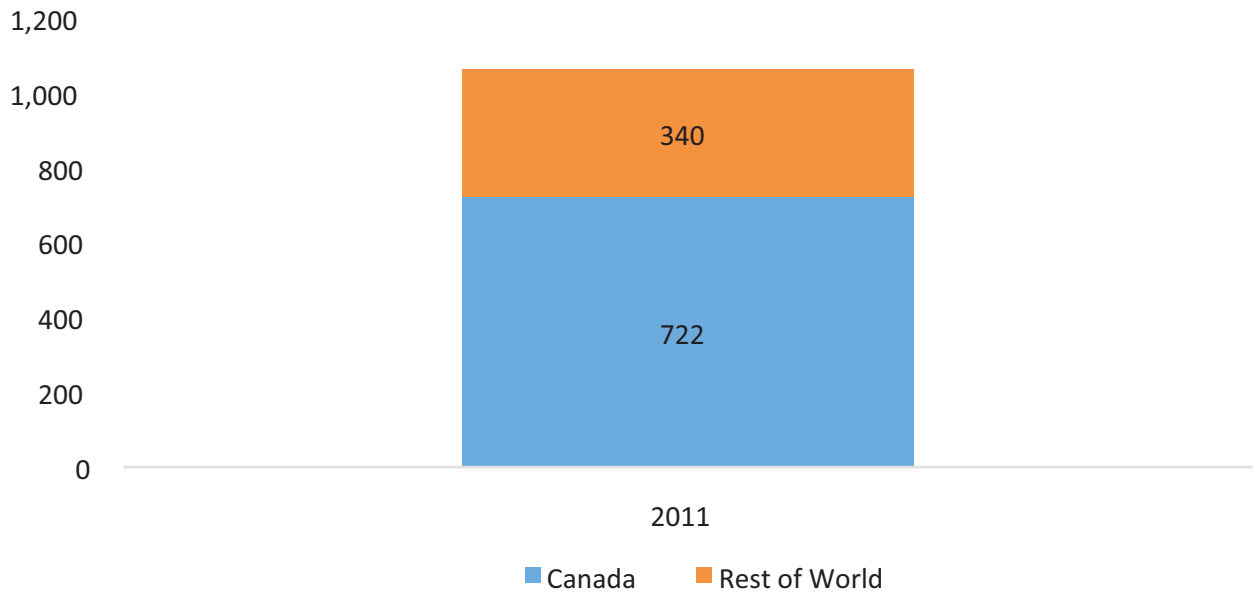
However, around 70 percent of this increase is the result of a single project: investment in the Kumtor gold mine by Canada's Centerra Gold, which is the 100 percent owner of the mine through its subsidiary, the Kumtor Gold Company.<sup>2</sup> Kumtor alone produces nearly half of Kyrgyzstan's exports in a given year and accounts for a tenth of Kyrgyz GDP and national budget.<sup>3</sup> According to the National Statistics Committee, during 2014, gold (\$716.9 million) accounted for 38.1 percent of the value of Kyrgyzstan's total exports (\$1.88 billion). Unfortunately, Kumtor has also become a cautionary tale for foreign investors, as a spate of calls for the nationalization of Kumtor in 2014 yielded a rift between Centerra and Bishkek. With an agreement apparently unreachable, the Kyrgyz leadership, which had previously taken a relatively conciliatory stance, began in December 2014 to speculate that nationalization could be unavoidable if a solution were not found soon.<sup>4</sup>

2. "Kumtor," Centerra Gold, 2014, <http://www.centerragold.com/operations/kumtor>.

3. "Mining in Kyrgyzstan: Gold in the Hills," *The Economist*, March 16, 2013, <http://www.economist.com/news/asia/21573615-attitudes-towards-foreign-investors-hold-troubled-country-back-gold-hills>.

4. Olga Dzyubenko, "Kyrgyz leader calls for deal with Centerra Gold by year's end," Reuters, December 2, 2014, <http://www.reuters.com/article/2014/12/02/kyrgyzstan-centerragold-idAFL6N0TM0U120141202>.

## Year-on-Year Growth of FDI Stock in Kyrgyzstan, 2010–2011



Source: International Monetary Fund Coordinated Direct Investment Survey.

With both trade and FDI increasing, Kyrgyzstan has become increasingly oriented toward China, while the economic weight of traditional partners such as Russia or the other Central Asian states has declined.

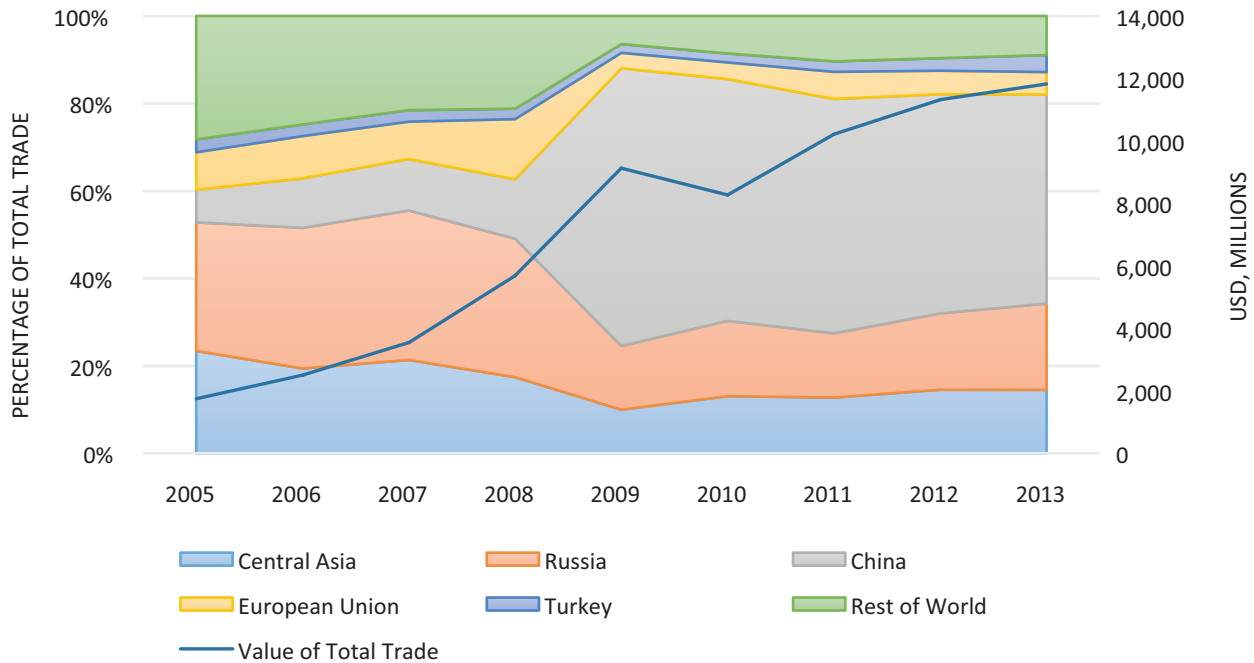
## Infrastructure and Connectivity

As a landlocked state, Kyrgyzstan's connectivity with its neighbors is of critical importance to overall economic development. As shown by the distribution of Kyrgyzstan's trade, the country lacks both domestic transit infrastructure and the cross-border connections, increasing the salience of immediate neighbors. Over the long term, Kyrgyzstan plans to improve connectivity in all directions. However, the emphasis at this point, given Kyrgyzstan's underdevelopment, is primarily the modernization of existing domestic and international connections rather than construction of new infrastructure. According to officials, existing connections to major markets like China, India, and Russia are sufficient, as long as borders do not serve as obstacles.

Bishkek also aims to develop transit corridors, and to further integrate into the global digital telecommunications networks through the laying of fiber optics, along with other projects such as the conversion to digital television and radio. These infrastructure upgrades are intended to drive growth throughout the country, improve access to mineral deposits, drive job growth, and bind the north and south of the country together.<sup>5</sup>

5. "National Sustainable Development Strategy for the Kyrgyz Republic for the period of 2013–2017," National Council for Sustainable Development of the Kyrgyz Republic, 105, [https://eiti.org/files/Kyrgyz\\_NSSD-final-version-eng-Feb4.pdf](https://eiti.org/files/Kyrgyz_NSSD-final-version-eng-Feb4.pdf).

## Breakdown of Kyrgyzstan's Total Trade by Partner Country/Group, 2005–2013



Source: International Monetary Fund Direction of Trade Statistics and author calculations.

## RAIL

Rail infrastructure is severely limited due to the country's mountainous geography and past financial constraints, as well as Soviet-era neglect. Future projects are prohibitively expensive and logistically demanding. Kyrgyzstan's rail network is the least dense in Central Asia and has one of the lowest rail densities in all of Asia and the Pacific.<sup>6, 7</sup>

Although the Chuy and Fergana valleys served as endpoints in the Soviet rail system, investment in Kyrgyzstan's rail system has been largely absent since the collapse of the Soviet Union. Kyrgyzstan is currently linked by rail to Kazakhstan and Uzbekistan only, and the linkage with Uzbekistan faces problems due to political disputes and frequent closures.

In 2003, the Chinese government funded a feasibility study on building a China-Kyrgyzstan-Uzbekistan railway. After a lengthy debate on the route, Kyrgyzstan approved plans to build a line from the Chinese city of Kashgar, which is the end point of the railway in southern Xinjiang, through the Arpa Valley with access to the Uzgen and the Kara-Suu

6. "Key Indicators for Asia and the Pacific 2014," Asian Development Bank, 2014, 252, [http://www.adb.org/sites/default/files/publication/43030/ki2014\\_0.pdf](http://www.adb.org/sites/default/files/publication/43030/ki2014_0.pdf).

7. The total length of the railroad system in Kyrgyzstan is 424.6 km, consisting of two unconnected lines: a southern line of 101.2 km and a northern line of 323.4 km. Euro-Asian Transport Linkages, Phase 2 Expert Group Report, UN Economic Commission for Europe, 2012; see "Euro-Asian Transport Linkages: Paving the way for a more efficient Euro-Asian transport," United Nations Economic Commission for Europe, 2012, [http://www.unecce.org/fileadmin/DAM/trans/main/eatl/docs/EATL\\_Report\\_Phase\\_II.pdf](http://www.unecce.org/fileadmin/DAM/trans/main/eatl/docs/EATL_Report_Phase_II.pdf).

districts on the border with Uzbekistan.<sup>8</sup> This construction demands enormous investment; Kyrgyzstan has pledged \$1.5 billion to the initial stages alone.<sup>9</sup> One Kyrgyz official with whom we spoke noted that, in order to make the railway more attractive to investment, Bishkek plans to extend the route on to Tajikistan and possibly Afghanistan. A feasibility study is also under way for a north-south line within Kyrgyzstan, connecting Balykchy to Osh.

## ROADS

Road remains the primary means of overland transport in Kyrgyzstan. The overall volume of road freight was twice as large as rail freight in 2011. The growth in freight transported by road increased by 66 percent from 2004 to 2013. More than 97 percent of goods are transported by automobile and 80 percent of passengers are also transported by road. Bishkek has targeted not only major international routes for development and reconstruction, but also its national highway infrastructure. According to one Kyrgyz official with whom we spoke, Bishkek is developing a set of highways that will circumvent the high mountain passes that constrain road traffic at present. The highways will connect the Jalal-Abad oblast to the Naryn oblast, furthering the connection of northern and southern Kyrgyzstan. In addition, the Kyrgyz government has initiated the construction of a regional transport and logistics center, to be completed in 2017. In all, Bishkek has pledged \$520 million for the rehabilitation of its current road infrastructure between 2010 and 2020, though existing plans make no mention of construction of new roads.

## AIR

Air transit in Kyrgyzstan is limited by poor infrastructure, which requires substantial updates needed to make Kyrgyzstan a major air transit hub, as the government intends. Bishkek has pledged \$280 million to turn Manas International Airport into an air cargo and passenger hub and a further \$50 million to modernize domestic airports, as well as to procure and implement an updated national air traffic control system.

The substandard performance of Kyrgyzstan's aviation industry acts as a brake on connectivity. Kyrgyz Airlines, which went bankrupt in 2006 and was purchased by Altyn Air, now Air Kyrgyzstan, was subsequently banned in the European Union due to its failure to meet EU safety regulations.<sup>10</sup>

## ENERGY DEVELOPMENT AND INFRASTRUCTURE

A lack of hydrocarbons is a serious challenge for Kyrgyzstan, which must import oil and gas from its neighbors, some of whom use their control of supplies for political leverage.

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8. Euro-Asian Transport Linkages, Phase 2 Expert Group Report, UN Economic Commission for Europe, 2012.

9. "China Pledges Support for Kyrgyz Infrastructure Projects," Radio Free Europe/Radio Liberty, July 15, 2013, <http://www.rferl.org/content/kyrgyzstan-china-infrastructure/25046277.html>.

10. "List of air carriers of which all operations are subject to a ban within the EU, with exceptions," European Commission, December 11, 2014, [http://ec.europa.eu/transport/modes/air/safety/air-ban/doc/list\\_en.pdf](http://ec.europa.eu/transport/modes/air/safety/air-ban/doc/list_en.pdf).

Efforts to improve energy security center on expanding hydroelectric generation from the country's ample rivers and streams. Hydropower poses its own challenges, though, including the need to attract foreign investment and the potential for climatic variations (such as a drought in 2014) to disrupt supplies. These obstacles have prompted the Kyrgyz government to prioritize new projects that better utilize Kyrgyzstan's water and coal resources.

Kyrgyzstan's most important natural resource is its water supply. Kyrgyzstan has 16 hydropower plants, all holdovers from the Soviet period, but it has begun construction on new projects. The largest new project comprises a series of cascading dams on the Naryn River, known as the Upper Naryn Cascade. Kyrgyzstan has pledged \$3.4 billion to the construction of the first dam in the series, Kambarata-1, scheduled for completion by 2022. The project is currently stalled, though a Kyrgyz official we spoke with noted that a feasibility study is currently under way and the Russian Ministry of Foreign Affairs has backed the project. Russia's InterRAO is the project's main investor, though the Kyrgyz government is also seeking investment from China, Afghanistan, Pakistan, and other partners. Another Kyrgyz official noted that Kambarata-1 requires as much as an additional \$2 billion in foreign investment to proceed, but because it is unlikely to make an immediate profit, foreign investors are wary.

CASA-1000, which would allow Kyrgyzstan and Tajikistan to supply energy to South Asia and has received funding from the World Bank, the Asian Development Bank, and other international lenders, has seen similar stumbles. Kyrgyzstan's National Sustainable Development Strategy did not designate any funding for CASA-1000, and the project is planned to use only existing hydropower infrastructure from Kyrgyzstan.<sup>11</sup> Kyrgyz officials have stated that they would welcome American investment in CASA-1000, which they see as a key cog in the development of postwar Afghanistan. While some analysts doubt the viability of CASA-1000, in large part due to concerns about the development and maintenance of adequate infrastructure, the reliability of supply from Kyrgyzstan and Tajikistan (which both suffer from regular blackouts in the domestic market), the politicization of energy issues between the two upstream countries, and the security of power lines traversing unstable states,<sup>12</sup> Kyrgyz officials were confident in interviews that CASA-1000 would draw interest from major regional partners and ultimately come to fruition.

## KYRGYZSTAN AS A TRANSIT STATE

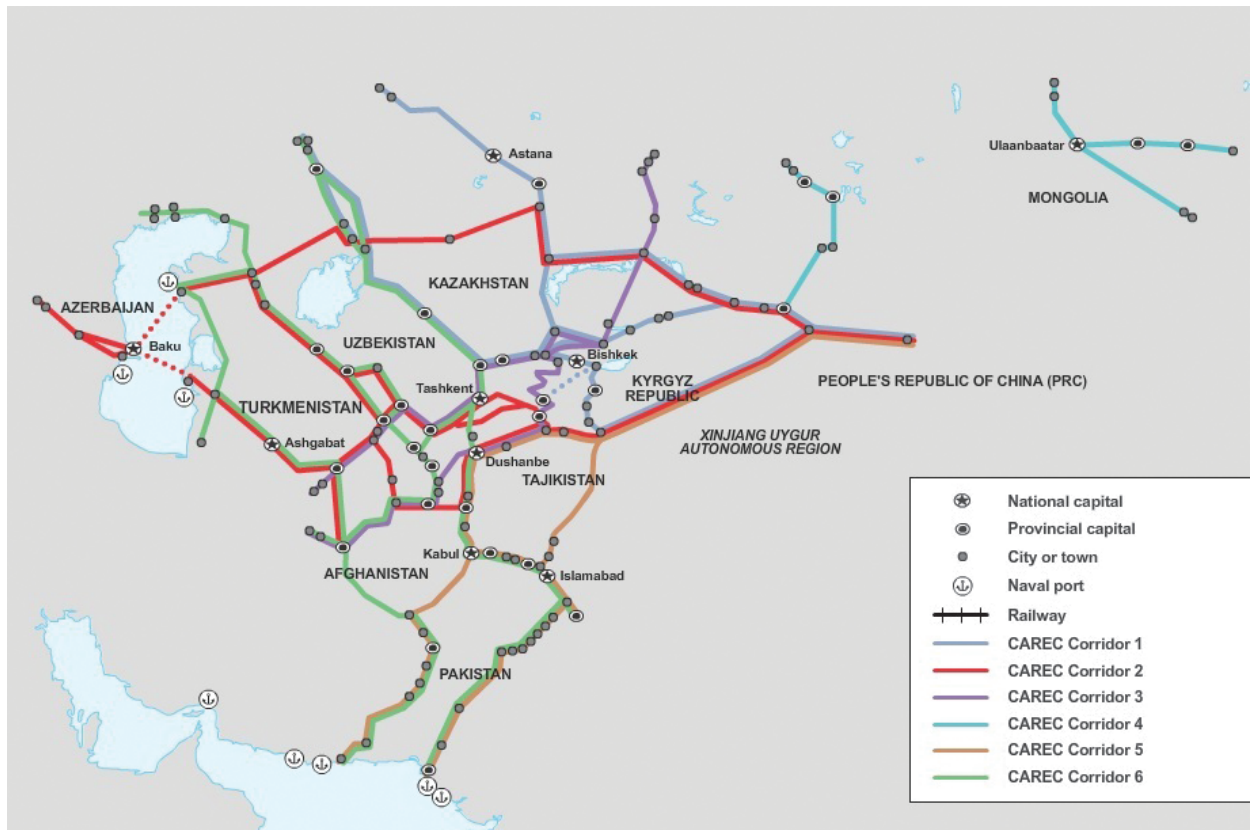
While not a major exporter of energy, Kyrgyzstan's geographic position between major energy producers (Russia, Kazakhstan, Turkmenistan) and large energy importers, foremost among them China, makes Kyrgyzstan a potentially valuable transit state for certain

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11. "World Bank Group Invests in Energy Trade between Tajikistan and South Asia," World Bank, March 27, 2014, <http://www.worldbank.org/en/news/press-release/2014/03/27/world-bank-group-invests-in-energy-trade-between-tajikistan-and-south-asia>.

12. See Eugene Imas, "The New Silk Road to Nowhere," *The Diplomat*, December 18, 2013, <http://thediplomat.com/2013/12/the-new-silk-road-to-nowhere/>; Erica Marat, "Kyrgyzstan, Tajikistan Disagree on CASA-1000," *Eurasia Daily Monitor*, Volume 9, Issue 119, June 22, 2012, [http://www.jamestown.org/programs/edm/single/?tx\\_ttnews%5Btt\\_news%5D=39528&#.VL8X1GTUuvM](http://www.jamestown.org/programs/edm/single/?tx_ttnews%5Btt_news%5D=39528&#.VL8X1GTUuvM); and "Central Asia: South Asia Energy Project a Pipe Dream?," *Eurasianet*, June 20, 2013, <http://www.eurasianet.org/node/67151>.

## The CAREC Corridors



Source: Central Asia Regional Economic Cooperation (CAREC).

pipeline projects. Kyrgyzstan sits astride the routes of two planned natural gas pipelines. The first, running across Kyrgyzstan along a north-south axis, is to be constructed by Russia's Gazprom and holds the potential to alleviate endemic gas shortages that have plagued southern Kyrgyzstan. The second pipeline, Line D of the Central Asia-China pipeline, is to be constructed by the China National Petroleum Corporation and will run from Turkmenistan through Uzbekistan and Kyrgyzstan, into China. The latter two agreed on the project in September 2013, and its completion is expected in late 2016. Separately, the Asian Development Bank-funded Central Asia Regional Economic Cooperation (CAREC) program has prioritized developing six corridors—four of which traverse Kyrgyzstan, to promote regional trade, link Central Asia's economic hubs, and connect landlocked countries to other Eurasian and global markets.<sup>13</sup>

13. "The CAREC Corridors—Linking Europe and East Asia," Asian Development Bank, April 29, 2014, <http://www.adb.org/news/infographics/carec-corridors-linking-europe-and-east-asia>.

## 4 Conclusion

Above all, Kyrgyzstan pursues stability, which it sees as the main prerequisite for sustainable economic development as well as the security of the state and its people. In pursuit of this stability, Kyrgyzstan seeks favorable relations with all its regional and global partners, while striving to maintain a balance between them. Like many of its neighbors in Central Asia, Kyrgyzstan follows a policy of multivectorism, tempered by recognition that it remains a weak, poor state, but one whose relative openness could prove a significant long-term advantage. Preserving Kyrgyzstan's parliamentary democracy and open political culture is thus also a key goal, one that demands careful management of relations with stronger authoritarian neighbors and careful cultivation of domestic stability.

The balance that Kyrgyzstan seeks is, however, imperiled by economic and political dependence on a Russia that has become increasingly assertive in recent years. Bishkek values close relations with Moscow, but aims to ensure its own autonomy through the cultivation of additional partners. Kyrgyz elites see concrete benefits flowing from membership in the Eurasian Economic Union and the CSTO, as well as extensive economic ties with Russia. They are nonetheless wary of the longer-term implications of this dependence. The same cannot be said for Kyrgyzstan's relationship with China, which Bishkek views as a critically important economic partner whose assistance does not come with any political strings attached. Though concerns about economic imbalance in the relationship and their possible political implications exist, such concerns were by no means ubiquitous among Kyrgyz elites. Rather, elites in Kyrgyzstan view China's emphasis on infrastructure development and regional connectivity under the rubric of the Silk Road Economic Belt as wholly congruent with Kyrgyzstan's economic development priorities and national interests.

Like many of the other states in Central Asia, Kyrgyzstan views the United States as a critical outside balancer. One high-ranking official with whom we spoke emphasized that the United States does not force Kyrgyzstan to choose between international partners, a key issue for concern within Bishkek's balancing strategy. Partnership with the West has an additional resonance for Bishkek thanks to Kyrgyzstan's democratic aspirations, which Kyrgyz elites argue should become a foundation for more extensive U.S. interest in the country. Though its democracy remains a work in progress, Kyrgyzstan's open political culture is unique in the region, contributing to a diverse ecosystem of corporations, academic institutions, nongovernmental organizations (NGOs), and other elements of civil society that provide an additional layer to U.S.-Kyrgyz relations. Still, economic ties fall

well below Kyrgyz expectations, as do the level and intensity of intergovernmental engagement. Despite Kyrgyzstan's poverty, elites are convinced that a shared commitment to democratic values should give the United States a clear interest in Kyrgyzstan's success.

Kyrgyz officials expressed a desire that U.S. engagement on security issues continue at an equal or increased level in the “post-Manas” period, despite the drawdown of U.S. and allied forces from Afghanistan. Kyrgyzstan would also like to see an increase in the amount of U.S. military aid, with a particular focus on items related to border security, disaster and emergency response, and military training programs. Bishkek recognizes that the closure of Manas represents a point of departure, and the overarching concern remains that the United States will wholly disengage from the wider region once it is done with Afghanistan. While Kyrgyzstan does not directly border Afghanistan, the porous Afghan-Tajik and Tajik-Kyrgyz borders give rise to concerns of spillover from a destabilized Afghanistan, alongside Bishkek's long-standing worries about narcotics trafficking and the spread of radical Islam. Kyrgyz officials indicated a preference for U.S. involvement in regional multilateral efforts to ensure stability in Afghanistan. In particular, Kyrgyzstan would like to see U.S. and NATO cooperation with both the CSTO and the Shanghai Cooperation Organization, and by association with Russia and China, on the issue of Afghanistan, along with regional security more broadly. Similarly, Kyrgyzstan would like to see a normalization of U.S.-Russia relations, which our interlocutors argued would contribute to regional stability. While Kyrgyzstan is understandably concerned about “questions of an integrational character,” it will remain closely tied to Russia and must maintain constructive relations with Moscow. Poor relations between Russia and the United States therefore create complications for Kyrgyzstan's delicate balancing act. However, officials were far from sanguine about the prospects for a U.S.-Russian rapprochement, with many intimating that U.S. policy related to the crisis in Ukraine is a major part of the problem. As one high-ranking official noted, “It is a bad idea to put an empire in a corner.”

Kyrgyzstan faces major challenges at both the domestic and regional levels. It needs to continue tackling corruption and improving governance, while addressing potential sources of radicalization and interethnic tension. In all of these efforts, U.S. assistance could be helpful in consolidating the kind of liberal, democratic state that many Kyrgyz elites would like to see. As Bishkek well understands, Washington's ability to focus on these issues suffers if the United States is consumed with a geopolitical balancing act against Russia or China. The tug-of-war over Manas provided some benefits to Kyrgyzstan (or at least its then-ruling family), but also placed Bishkek in a difficult position, its vulnerabilities exposed to all sides. As Kyrgyzstan's current government pursues greater stability and prosperity, it understands the need to avoid becoming a pawn for the ambitions of larger powers.

## About the Authors

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