CHAPTER III

POST-SOVIET KYRGYZSTAN: SOCIO-ECONOMIC, POLITICAL AND SECURITY DIMENSIONS

Renewed interest in the Silk Road trade connecting China with Central Asia and India has repeatedly risen with a new dimension in the global geopolitical situation. At the end of the nineteenth century this emerged after the British and Russia started to explore the Central Asian region mainly to expand their territories and take control over the trade. The British, in particular, were interested in consolidating some of the land north of their Indian territories. The first official trip for the Survey of India was in 1863. A trade delegation was sent to Kashgar in 1890, and the British were eventually to set up a consulate in 1908 (Henry Cayley, 1868; Bellew H., 1864-1873; Gerard M.G. et al., 1896). Although the trade with India was already established by England (from XVII c.) through the East-India company, Russia had intensively within thirty years entered the Indian market (1855-1885) (Subbotin A.P., 1885: 53). They saw the presence of Russia as a threat to the trade developing between Kashgar and India, and the power struggle between these two empires – the British and the Russian - in this region came to be referred to as the “Great Game”.

At the end of the twentieth century the “new great game” was inaugurated, according to Zbigniew Brzezinski (1997), with the involvement of “great powers” – the U.S.A., Russia, the European Union (EU), and China - mainly around “oil and energy” factor. Today the Silk Road aegis has taken through the European Union’s Transport Corridor-Europe-Caucasus-Asia project. Launched in May 1993, TRACECA is an EU-funded technical assistance program that implements development of a transport corridor on a west-east axis from Europe, across the Black Sea, through the Caucasus and the Caspian Sea to Central Asia. Through 2001 TRACECA financed 39 Technical Assistance projects (57,405,000 Euro) and 14 investment projects for the rehabilitation of infrastructure (52,300,000 Euro) (Olcott Martha Brill, 2003: 16). TRACECA project is highly relevant in the countries of the Caucasus and Central Asia. As a consequence of it, the “Silk Road doctrine” in Kyrgyzstan has become the basis of the national and foreign policy. With a
series of individual projects for transport and communication links, Europe and the USA are providing financial assistance to the states of the TRACECA agreement. So far Azerbaijan (Baku – Tbilisi – Ceyhan, 1730 kilometers length pipeline with a capacity of fifty million tons of oil per year and at a cost of four billion USD (Rasizade Alec, 2004: 5-6) and Kazakhstan (Tengiz –Novorossiysk, 1580 kilometers pipeline) benefited from oil pipeline projects (Map 7). The rest of the countries including Kyrgyzstan are under consideration for latter development and investment in future.

Another resonance of the “New Silk Road”, induced by Frederick Starr’s “The Greater Central Asia Partnership” (GCAP), is the Silk Road paper. The main idea is the integration of Central Asian States (CAS) and Afghanistan into GCAP with pro-active policy of the U.S.A. The idea is to open a “window to the sea and to the South” enabling “Afghan farmers to get their dried fruits” exported, whereas “Central Asians will be able to choose whether to export their cotton, oil, gas, and manufactured goods” (Starr S. Frederick, 2005: 14). Moreover, there would be “new routes to the South and Southeast Asia, and open the countries of Greater Central Asia to investment from India and beyond” (Starr S. Frederick, 2005: 14). Some pragmatic solutions have been proposed taking into consideration the interdependence of the region as whole, and for encouraging India – Afghanistan – Pakistan – Central Asia security and economic cooperation.

Apart from being the folk-lore states with traditional trading pattern, the CARs primarily need to develop industrially either with or without foreign involvement whereas the role of CARs has to be participatory in decision making process. In the given situation, whereas Central Asia is a subject of various strategic partnership discussions, it is interesting to examine what is the existing socio-economic profile of Kyrgyzstan and how it is important for a revival of the Silk Road and development perspectives.

**Political Developments**

A political and economic vacuum was created with Kyrgyzstan’s independence at the beginning of the 1990s. The actual disintegration of the USSR had already started with creation of some legal prerequisites. Thus, in April-May 1990 four Laws of the USSR
were adopted including “About solution of issues arising due to disaffiliation of the Union Republics with the USSR”, “About basis of the economic relations of the Union Republics and Autonomous Republics”, “About distribution of powers between Union Republics and Federation Centre” and “About economic status and transfer to a controlled market economy”. These laws gave more rights to units for independent socio-economic development and public administration (Ploskih V., 2004: 304-306).

The next step towards disintegration of the USSR was an adoption like many other republics of the State Sovereignty Declaration by the Supreme Council of Kyrgyz SSR on 15 December, 1990. It acquired the full state power in all spheres of social life, citizenship, exclusive right of the people to possess, exploit and dispose of all properties of the Republic; supremacy of the Constitution and Laws in the territory; the right to defend own interests internationally; the right of voluntarily joining the Federation and free disaffiliation with it.

After the August 1991 putsch that led to the disintegration of the USSR, the Supreme Council (Kyrgyzstan) adopted the Declaration about Independent Statehood of Kyrgyz Republic on 31st of August 1991. Following independence, the country established a National Security Committee (20 October, 1991), the National Guard (3 December, 1991) and the State Customs Inspection (31 December, 1991). The process of establishment of the State institutions and State attributes were completed by 14th of January 1994 with the adoption of National Emblem.

The initial years of transition period were politically unstable. Several disputes on land and irrigation water resulted in inter-ethnic conflicts in June1990 between Uzbek and Kyrgyz groups in Osh city (where the population of Uzbeks is near 65 %) and Ferghana valley of the Southern part of the country, while Uzbekistan and Kyrgyzstan declared a state of emergency.

In February 1990, the Masaliev-lead government resigned as a consequence of the hunger strike undertaken by Tobchubek Turgunaliev and his Democratic Movement of
Kyrgyzstan (DMK) party. DMK participated in the election of 25 February 1990 for the Kyrgyz Supreme Council, where the majority (335 deputies out of 350) was represented by the Communist party (Capisani G.R., 2000: 209). On 28 October 1990, as first President, Askar Akaev was elected to the post by the deputies of the Supreme Council. Political pluralism was created earlier in 10-15 April, 1990 during the first Session of Jogorku Kenesh (the Supreme Council) with multi-party representation. On 12-13 October 1991, Akaev won the presidential election with 95.3 percent voters. The new course made for democratization with multi-party system and transition towards a market-oriented economy. The political hierarchy was not ready for rapid challenges of the transition period and for full-scale implementation of the Laws. The second Presidential election took place in October 2000, when Akaev again won with 74.4 percent voters, and in 2003 a referendum was held following which a bill granting the President lifelong immunity from prosecution was approved. However, Kyrgyzstan plunged into political crisis gradually as the leadership deviated from democratic principals.

The Constitution of the Republic was adopted on 5th of May 1993 and on 22nd of October, 1994 a nation-wide referendum was held for making amendments to the Constitution. On 5th of February 1995, accordingly, an election for a newly introduced bicameral parliament was held and on 28th of March of the same year the new parliament came into being. On 10th of February 1996 a new amendment passed in a national referendum gave more legislative and executive powers to the President. The core changes in the Article 58 declared that the President defines the development policy of the country, wherein he came to concentrate the authority that belonged to the Parliament. According to analysts, it meant that country became a presidential republic. Following the changes, on 2nd of February 2003 the President initiated the next referendum in order to balance different levels of governance on the basis of extension of the rights and powers of Jogorku Kenesh (the Legislative) and Government of the country (the Executive body).

In other words, in total there were four Referendums on Changes and Amendments to the Constitution of the Kyrgyz Republic (October 22, 1994; February 10, 1996; October 17,
1998; and February 2, 2003). Between 1991-2003 authoritarianism and corruption increased under the unchanged President of the country, according to local and international policy makers. Chairmen of the Commission on Security and Co-operation in Europe, Christopher H. Smith (October 30, 2000) said: “Once one of the most democratic Central Asian states, Kyrgyzstan has gone the way of neighboring dictatorships. President Akaev has followed his regional counterparts in manipulating the legal, judicial, and law enforcement apparatus in a way to stay in office, despite domestic protest and international censure”.

The deteriorating situation in Kyrgyzstan was reflected in the decline in socio-economic conditions, high international debt, the presidential and parliamentary elections (Felix Kulov, one of the candidates in 2000 was arrested on the charge of corruption while serving as the Minister of National Security Service). The Aksy incident in March, 2002 arising from parliamentary elections, led to the resignation of the Prime Minister. In the parliamentary elections on February 27, 2005 (31 seats were filled out of 75 in the first round with 2 seats to the opposition), and the second run held on March 13, 2006 gave 6 seats to the opposition out of 75. Lubomir Koraj, the head of OSCE observer mission said at the press conference (March 14, 2005), numerous flaws noted in the first round had been repeated in the second, including “a lack of effective voter access to diverse sources of information, bias in the media, continued de-registration of candidates on minor ground”, and “inaccurately and poorly maintained voter lists”.

It is obvious that recent political developments originated from the initial period of the independence of the country. There were mainly election and justice issues, which created the prerequisites for the new political changes that began with resignation of the President on 24th of March, 2005 and election of new President on 10th of July 2005. The background for the mass revolutionary upheaval was government apathy to public demands. Even much earlier, since 2002, warnings were publicly sounded by experts of the country on these issues (Chanachev M., April 29, 2005).
It has different resonance within and out of the country. Roza Otunbaeva, former Minister of Foreign Affairs, emphasized at a press-conference with Sergey Lavrov (Foreign Minister, Russia) (April 12, 2005): “I am ready to consider, that the Kyrgyz revolution, in fact, was held by the nation itself, instead of opposition, which was blamed for the inspiration from the West, and therefore we openly marched into battle. The spirit of the Kyrgyz nation was against to the authoritarian power, corruption, which was spread in our country...”.

According to survey held in July - August 2006 by the Institute for Public Policy in conjunction with “M-Vector” Consulting Agency in Kyrgyzstan, the majority of urban respondents thought that the events of March 24, 2005, did not have any impact on the development of the country, unlike the majority of rural respondents, who believed that these events had a positive effect on Kyrgyzstan. Even the majority of respondents (35% or 422 out of 1200) are rather unsatisfied with the current situation in the country, but 66% (783 out of 1200) of respondents hope for improvement of living standards in the near future. The findings of the survey reveal that 22% of respondents expect significant improvement in living standards. 83% (991 out of 1200) of respondents want their children to remain within Kyrgyzstan (the Institute for Public Policy and “M-Vector”, August 2006: 7-34).

At the same time, the international community has positively assessed the leadership change during the President’s visit in Vienna for the OSCE summit on 30th May 2005 (Vechernii Bishkek, June 2, 2005). The Constitution of the Kyrgyz Republic in a new version was signed by the new President on 9th of November 2006 and appeared in the “Erkin Too” newspaper on 6th of December 2006.

**The new Constitution**

Firstly, the form of the Government became Presidential form of government, instead of the earlier presidential-parliamentary one. The supremacy of the Law and protection of the human rights are the most positive declarations of the Constitution. Article 40 entrusts Ombudsmen with freedom and rights. Article 15 promulgates that no person can be
arrested without the decision of the Court and only on the basis of the law. The “social state”, which is added in the preamble, underlines that “the state, aspiring to create such conditions that do not humiliate the human virtue, provide the social equality and social security” is a moral and constitutional responsibility. Among CIS countries such a declaration was made in Russia, Armenia, Belarus, Kazakhstan, Tajikistan and Ukraine, as well as in many other counties, like Germany, France, Italy, Spain, etc. The Indian Constitution, likewise, specifies the country as “secular socialist”, which refers “to secure to all citizen economic justice and equality of status and opportunities” (Kashyap Subhash, 1994: 59-60).

As a result of referenda some of the Parliament’s powers in the Constitution consequently were delegated to the President. In the new Constitution it is stated that “only publicly elected President and Jogorku Kenesh have right to act on behalf of the nation” (Article 1 (4)). However, it has contradiction with the Article 7 (1): “The government is based on the principles of the nation’s supremacy, represented and provided by publicly elected head of the state – the President”.

The next Article 42 (3) includes “determination of the principal directions of internal and external policy” as the President’s prerogative, which earlier belonged to Jogorku Kenesh. Such Presidential prerogatives are contained also in the Constitutions of Ukraine, Belarus and Uzbekistan.

The new Constitution excludes such Presidential powers as the appointment and dismissal of the heads of administrative units and local state administrations, the ability to create and abolish the National Security Service, the ability to create and lead executive bodies beyond the government structure; the approval of single system of training, recruitment and funding of civil servants. However, these authorities were not transferred to the Prime Minister either.

Another aspect of the more powerful executive, according to analysts (Iskakova G., December 12, 2006), is due to a wider elaboration of its competence: “The government
shall resolve all issues of state governance excluding those authorities delegated to the competence of the President and the *Jogorku Kenesh*. If the regulation of the government contradicts superior legislative acts, then this issue should either be resolved by the Government itself, or in the court.

One of the positive features in the Constitution is a requirement of two-thirds of votes for passing the bills. “The presidential veto is needed to keep the Parliament from making hasty decisions regarding draft legislation, but a simple majority for overcoming the presidential veto would be sufficient, since law passing is the main function of the Parliament and not the President” (Iskakova G., December 12, 2006).

It can be noticed, that there is interdependence in the power structures, attempting to keep the balance. The President can still pass decrees, but they will not come into the force of a law as before – as in the case of the delegation of legislative authorities by the Parliament or the dismissal of Parliament. Now Presidential decrees should not contradict the laws of the Parliament; the Constitution eliminates delegation of authorities as well. The President at the suggestion of the National Council on Justice nominates the member of the Constitutional Court, as well as, of the Supreme Court. He, in agreement with *Jogorku Kenesh* appoints the attorney-general, the chairman of the National Bank and the Central Electoral Committee and the Account Chamber. Some of the Presidential powers, regarding external affairs in Article 46, 3 (2), can be delegated to the Prime Minister. As the President’s strong prerogative, he can initiate a referendum with signatures of 300,000 voters and majority of the total Parliament members.

The Legislature body (*Jogorku Kenesh*) consists of 90 deputies whereas not less than 50 percent are elected on the basis of proportional representation. It has powers to raise an objection against the President; and impeach the President.

Secondly, in the executive power, the President has right to appoint the ministers. As per the appointment of Prime Minister, the political party, which forms more than 50 percent from the total number of deputies of *Jogorku Kenesh* elected on proportional system, can
nominate the candidature for the post of Prime Minister to the President (Article 70 (3)). After appointment, the Prime Minister shall designate other members of the Government and submit it for the approval of Jogorku Kenesh. All 3 clauses of Article 71 are related to the regulations of the power structures, where the superiority of Jogorku Kenesh is established.

The discernible point in the Constitution concerns the appointment of the Prime Ministers, which is given to the political parties with more than fifty percent of votes of the Parliament, elected by the system of proportional representation. As for the political system in the country, no single political party has strong influence because of absence of any constructive program, which can provide social security to the population or resolve the crisis in the country. At present, some parties as “Ar-Namys”, “Ata Meken” and “Alga Kyrgyzstan” are mainly known by struggle for power rather than representing the interest of the society. They are hardly recognized among wider public as a Survey shows: 52% of the respondents could not name any political party that exist in Kyrgyzstan, whereas 26% named the “Ar-Namys Party”, 12% named the “Ata-Meken Party,” a socialist party, and 12 % named the “Alga Kyrgyzstan Party” (the Institute for Public Policy and “M-Vector”, August, 2005: 5).

Regarding the impeachment to the President (Article 51 (2-3)) there are again some constraints. For violation of the Constitution a President can be impeached only in the presence of two-thirds of the total number of the members of Parliament. The charge against the President can be passed by a majority of not less than three-fourths of the total members of the Parliament. While in the Constitution of India these quotas are given as one-fourths and two-thirds correspondingly. In most the Constitutions of CIS countries the required number is one-thirds and two-thirds. There is no clear mechanism regarding the vote of no confidence initiated by Jogorku Kenesh against the Government, whereas the President has an exclusive right to announce the resignation of the cabinet, or disagree with Jogorku Kenesh or dissolve the Parliament.
The advice “to decrease the numbers of single member constituency by introducing the system of proportional representation” given by the Prime Minister in his interview (Kulov Felix, April 8, 2005) was included in the new Constitution. Also he talked out about coordination of the judiciary at the Presidential level, which would equalize it with other powers as in France. Article 65 of the French Constitution articulates: “The High Council of the Judiciary shall be presided over by the President of the Republic. The Minister of Justice shall be its vice-president ex-officio. He may deputize for the President of the Republic”. The High Council of the Judiciary with jurisdiction over judges shall make nominations for the appointment of judges in the Court of Cassation, the first presidents of the courts of appeal and the presidents of the tribunaux de grande instance. Other judges shall be appointed with its assent. It shall act as the disciplinary council for judges. When acting in that capacity, it shall be presided over by the first president of the Court of Cassation”. The new constitution of the Kyrgyz Republic also proposed the forming of the National Council on Justice on similar lines.

Prime Minister Felix Kulov summed up that in the international context the Parliamentary form of government is more effective in terms of political pluralism and legitimacy of an opposition. It can be noted that most parliamentary type of governments like in India, the President appoints the Prime Minister and on his advice the ministers (Article 75). This has not impeded to the advancement of democratic traditions with great cultural, social and political diversities. In the presidential republic, the President and the Parliament are publicly elected, and in the parliamentary system the government is formed by the Parliament.

Consequently, the November Constitution was not approved by Jogorku Kenesh. Moreover, the Kyrgyz government resigned on 19 December, 2006. The Prime Minister Felix Kulov (December 19, 2006) said: “The government's decision to resign accelerated the holding of parliamentary elections. Kyrgyzstan held parliamentary elections in 2005, on the basis of the new constitution adopted that included changes to the structure of the parliament, raising the number of seats from 75 to 90 and changing the method for electing deputies - party lists instead of the single-mandate system”.

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"The most important thing now is that in order to push through reforms there is a need to elect a new parliament", - he added – “that despite contradictions between the current parliament structure and the one mandated in the new constitution, it should be possible for legislators to continue their work" (Kulov Felix, December 19, 2006). Deputy Prime Minister Daniyar Usenov elaborated on the problems the country faced due to the current constitution, “parliament cannot form a new government - cannot elect a new prime minister - because there is no ruling party" (Kulov Felix, December 19, 2006).

Following the primary constitutional changes that came into effect, the Parliament was dissolved and elections for a new Parliament were held. After the nation-wide referendum held on October 21, 2007, the primary constitutional changes proposed by the President came into effect with dissolution of one mandate Parliament and election of a new proportional system based Parliament. The main changes in the Constitutions were related to separation of powers between President, Parliament and Government. The attempts at constitutional reforms were aimed at changing the political system by strengthening the role of parliament and government and limiting president’s authorities. Mainly in 2003 and 2006 (November) constitutional amendments a number of authorities with regard to the appointment of government were given to the Jogorku Kenesh. The strength of the 2003 Constitution was in adoption of a system for long-term appointment of judges and special procedure for their removal in order to improve independence of courts. By that the judicial reform was basically completed. According to the newly adopted Constitution the President has authorities to form government, nominate candidates for the positions of head and members of the Supreme Court and dissolve Jogorku Kenesh (Parliament) in cases stipulated in the Constitution. In the self governance system the direct elections of heads of ayil okmotu (municipality) were replaced with elections by local keneshs (councils) upon nomination of local state administrations. It is unambiguous that the presidential form of governance prevails in the country. According to some experts, “the political system has a clan-based nature instead of democratic” (Bogatyrev Valentin, 2008). However, by introducing the proportional system where by there should be not less than fifteen percent of non-titular
ethnic representatives, the new Parliament has achieved the proportional shares: seventy three Kyrgyz (81%), seven Russians (8.2%), two Koreans and one of each representatives of Uigur, Dungan, Karachai and Uzbek out of ninety member of Parliament. According to Russian Fund of Strategic Culture, the share of Russians in the Parliament corresponds to their specific proportion in the population structure of Kyrgyzstan (Information Agency, January 21, 2008).

However, several mass demonstrations drew the attention of the new government of the country to focus on political stability. The demand for constitutional reform became the core concern of all demonstrations in 2005 and 2006. As a result, after long discussions on the constitutional reform between Bakiev - Kulov tandem, a new Constitution was adopted after the new version was signed by the President on 9th November 2006 and came into effect from 15th January 2007 (with repealing of previous legislations).

In the new Constitution of Kyrgyzstan there is noticeable transformation from the previous Parliament system to the Presidential form of the Government, where the Presidential powers increased. In the local governance system, direct elections of heads of ayil okmotu (municipality) were replaced with elections by local keneshs (councils) upon nomination of local state administrations. It is unambiguous that there exists the presidential form of governance in the country. According to Bogatyrev (2008), “the political system has a clan-based nature instead of democratic”. Russian expert on Central Asia Arkadii Dubnov (January 16, 2008) said in an interview with the Deutsche Welle: “...the parliamentary election enabled the president to take the grip on power and strengthen the power vertically”.

The Socio-Economic Profile

Similar to political changes, cardinal economic reforms were carried out for transformation to a market economy. These changes meant not only reforms in economic policy, but also fundamental reorganization of the overall economic system of the country. The economic reforms in the Republic started with privatization process in 1990 with approval of “The program of stabilization of the national economy of the Republic
and transition to the market economy” and a new economic course started at the same time in January 1991. The first phase (1992-1993) was oriented towards privatization of small and medium scale enterprises mainly in retail sales, services etc. During this stage approximately 98.7 percent of the enterprises in the service sector, and 81.5 percent of the enterprises in the retail sale and catering sectors were privatized. Most of them were bought by groups of their own workers (28.2 percent), by individuals (21.2 percent), and sold through competitive bidding (26.5 percent) (National Human Development Report, 1996: 20-21). In addition, there was mass privatization in other sectors of the national economy: 41.3 percent in agriculture, 41.2 in industry and 21.5 percent in transportation by 1999 had been transferred from public to private sector (Abazov Rafiz, 1999: 209).

Most of these enterprises were converted to joint-stock companies. During the first phase, the direct sale to the group (26.2 percent) was widely used, and less to individuals (20.9 percent), sale on the competitive base (20.1 percent), and reorganization to the joint-stock companies (17.86 percent) (Ploskikh, 2004: 319). In 1992, the government launched a Voucher Privatization Program with distribution of vouchers for free to every adult member of the population. Ostensibly, the idea of voucher privatization was meant to give equal access to all citizens in the privatization of state property (Abazov Rafiz, 1999: 209).

The second phase started from 1994 to 1996 with privatization of the large scale enterprises. The government decided to replace the vouchers with coupons. At this stage, the share of private enterprises increased significantly either by increased ownership in state owned joint-stock companies (approximately 25 percent) or through renting with follow-up redemption (nearly 30 percent).

The first phase of the privatization led to severe economic crisis. Gross agricultural output declined in 1992 by 28 percent compared with 1991. As a consequence, the commodity output decreased by 41 percent, the food processing industry including meat processing – 89 percent, milk processing output – 90 percent, and fruit and vegetables processing – 88.6 percent (Elebaeva A., 1996: 122). The economic crisis in the country
was aggravated by cost increase and as a result the purchasing capacity of the population declined. On the whole, the privatization of agricultural sector was effected by the sale of land, cattle and properties for a song. It was accompanied by “growing corruption” and “lobbying of the vested interests” in the country (quoted in Abazov Rafiz, 1999: 210). The public discontent led to resignation of Prime Minister, T. Chyngyshev in May 1993.

In the third phase, privatization significantly increased by 1998 (Ploskih V., 2004: 319). The result of the reorganization of state property in the republic during 1991-1998 was making private sector (70 percent) the base of the market economy, where the share of state property significantly reduced in all sectors of the economy except in the strategic industries (telecommunication, gas and electricity). The privatization process in general was implemented slowly; “in response to severe criticism and public accusation of the corruption and abuse of power by public officials” (Abazov Rafiz, 1999: 211), which even led to replacing the Pro-reform Prime Minister Apas Jumagulov by Kubanymbek Jumaliev in March 1998.
Diagram 1. **Third phase of privatization since 1998**

Source: *The National Statistics Committee of the Kyrgyz Republic, Bishkek, 1999.*

By 2004, the Kyrgyz Telecommunication and the National Air Transportation joint stock companies were in the process of privatization. Companies from Germany, India, Israel, Italy, Kazakhstan, Russia, Sweden, Switzerland, Turkey, the UK, the US, and Uzbekistan have purchased the state shareholdings in fifty enterprises (Investment Guide, 2004: 24).

Important economic reforms undertaken by the government were liberalization of finance and credit system (1991), prices (1992), external trade (1994). Due to the high inflation rate it was decided to leave the ruble zone on 10th May 1993. The national currency – Som – was introduced in the country. With gradual stabilization of the exchange rate of Som in March 1995, the national currency was made convertible. Since 1995, the IMF helped to stabilize the currency, with the assistance of other international organizations.

In 1992 the country joined the World Bank (WB), through which it has been implementing three major projects, namely the International Development Association
(IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). Assistance is provided by WB in the agricultural and private sectors. The same year, Kyrgyzstan became a member of the European Bank for Reconstruction and Development (EBRD). Through the Direct Investment Facility (DIF) and Trade Facilitation Programme (TFP) and other projects, EBRD provided debt for particularly attractive businesses, which included the Kumtor gold mine, the Hyatt Regency Hotel, and equity investments in three banks: Demir Kyrgyz International Bank, Kyrgyz Investment Credit Bank, and Inexim Bank (Investment Guide, 2004: 28). Technical assistance has been provided to the country totaling 14.6 million Euros through the Turn Around Management (TAM) program. On May 1992, Kyrgyzstan became a member of the International Monetary Fund with its given quota of SDR $ 88.8 million. The IMF contributed to the quality of statistics, the tax and central banking systems.

Kyrgyzstan has implemented a successful trade liberalization policy, making it one of the most liberalized trade regimes among the CIS countries, and has been rewarded with membership of the World Trade Organization (WTO) in 1998. Entry to the WTO gave the country’s external economic relations a boost, especially with countries outside the CIS. Liberalization of foreign trade also can be expanded within framework of regional economic unions: the Commonwealth of Independent States (CIS), the Eurasian Economic Community (EURASEC), Central Asian Cooperation Organisation (CACO) and the Shanghai Cooperation Organization (SCO) of which Kyrgyzstan is a full member. At present, foreign trade relations exist with over fifty countries, including CIS countries, mainly Russia, Kazakhstan, Uzbekistan, Tajikistan, Belarus and Ukraine. Major partners from non-CIS countries are China, Germany, Switzerland, Turkey, the UK, and the USA. A ten percent tax has been set for all imported goods.

At the initial stage of the transition period, steps toward market oriented economy was taken with the liberalization of prices combined with political reforms for decentralization. According to experts, this approach was “big bang” or so-called “shock therapy” approach as in Russia (Abazov Rafiz, 1999: 205). By 1994 almost all state limitations on exports were eliminated. As for imports, the state control over goods was
also reduced with exception of some products, like tobacco and alcohol (Abazov Rafiz, 1999: 206).

One of the achievements of the monetary and credit policy in 1991-1998 was a reduction of the inflation rate; the annual rate decreased from 87 percent in 1994 to 15 percent in 1997 (Ploskih V., 2004: 319). On the whole, the dynamic of the economic parameters showed that since 1996 inflation was under control. GDP in 1996 increased compared with 1995, as also in 2003 and 2004, the highest growth being registered in 1997 (EIU Country Report, 1st quarter 1998: 1-5).

Diagram 2. Growth of GDP, 1995-2008 (%)


The change in the volume of GDP during 1999-2006 was caused by growth of output in agriculture in 1999 (8.2 percent) and in 2001 (7.3 percent). But from 2003 there was little progress in manufacturing output (2.7 percent) (The National Statistics Committee, 2005, pp. 132-135; The National Bank, 2003: 173-175). The real GDP during the eight years had a steady growth rate (average rate was 4.56 percent) excluding in 2002 (0 percent).
(The National Bank, 2003: 173-175). Lower growth rate of 2.5 percent was also recorded in 2005. The volume of agricultural output growth was 13.1 percent. Industrial production increased by 17 percent in 2003 (excluding the Kumtor gold mine enterprises). The volume of industrial shipments was 97.1 percent of the total products physically shipped. At the same time, 33 percent of output was exported. In 2003 more than half of the growth of industrial production came from metallurgy (The National Statistics Committee, 2005: 132-135; The National Bank, 2003: 18-19). Moreover, there is trend of increase in imported products in the domestic market, as well as decrease in capital investments.

Diagram 3. **Growth of Industrial Production (2003)**

![Diagram](image)

*Source: The National Statistics Committee of the Kyrgyz Republic, Bishkek, 2005.*

The next significant step was in terms of land reform and introduction of the private property on land through nation wide referendum on 17th October 1998. However, while on the one hand there was significant revival of the agricultural sector; on the other hand, the economy of the country changed from industrial-agrarian to agrarian-industrial structure.
There is a drop in output at the main Kumtor gold mine with 0.5% decline in GDP in 2002, but GDP growth bounced back the following year.

Table 1.

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<tr>
<th>Year</th>
<th>Inflation rate (consumer prices)</th>
<th>Percent Change</th>
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<tbody>
<tr>
<td>2003</td>
<td>2.10%</td>
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<td>2004</td>
<td>3.50%</td>
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<td>2008</td>
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The economy is heavily weighted toward gold export (Kumtor gold mine); GDP declined for 0.5% in 2002 and 0.6% in 2005. In 2007, partly due to higher gold prices internationally GDP grew more than 6%. The government has made steady strides in controlling its substantial fiscal deficit, nearly closing the gap between revenues and expenditures in 2006.

The macroeconomic destabilization, unsecured loans and credits made without proper credit checks to the state enterprises and commercial banks resulted in mass unemployment (International Labour Organization, 1997: 444). For the period 1991 – 1997, the number of unemployed grew rapidly:

Table 2.

Unemployment (in number)

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<tbody>
<tr>
<td>Number</td>
<td>1,792</td>
<td>12,614</td>
<td>77,198</td>
<td>89,000</td>
</tr>
</tbody>
</table>


The officially registered rate of unemployment of economically active population was 2.9 percent in 2004. According to the Employment Department of the Labor and Social Security Ministry statistics, 4.2 thousand people were unemployed for December 2004, of which 51 percent constituted of women and the number of vacancies for 2005 was 3.8 thousand (The National Bank, 2003: 152). The nominal average salary in the country as per the official rate of exchange of the National Bank was 49.7 USD in 2004, which was 14.3 percent higher compared to 2003.

The situation was worsened by economic crisis and the inability of the state to support the social security sector, although social development was undertaken as another priority of the state policy. The National Program “Araket” (Endeavour) was adopted by the Kyrgyz Republic for reforming the remuneration of labor system, development of labor market, efforts for unemployment control, and support for self-employment.
Accordingly, “The Labor Market and Employment of the population of Kyrgyz Republic” program for 1998-2000 and 2005 and the National Program “Comprehensive Development Framework of Kyrgyzstan till 2010” were adopted. The main target of the Programs was poverty alleviation and development of social infrastructure of the country. The projects on institutional and economic development, like drinking and irrigation water, transport and communication, entrepreneurship were implemented with funding from the international donors, mainly the World Bank.

In 1997, with the support of UNDP, Kyrgyzstan adopted a National Strategy for Sustainable Human Development that comprised of seven overall directions, one of which is the development of local self-governance. The Government of Kyrgyzstan has taken a number of steps in furthering decentralization and local self-governance, particularly evident through the approval of policies and laws to facilitate such actions. By 2008 the President has issued more than 55 decrees and 10 regulations related to decentralization and local self-governance. With development of the non-governmental sector and active participation of the civil society in social and political life, the number of the non-governmental organizations significantly increased. 3500 were registered in 2002 (Ploskih V., 2004: 317).

Following the economic reforms, the country experienced a drastic drop in output in almost all economic sectors and growth of the country’s national debt from USD 299 million in 1993 to USD 746 million in 1996 (IMF Working paper, June 1997: 30). According to the IMF (1997: 8-9), Kyrgyzstan during those years, “was moderately indebted country, but it nevertheless continues to borrow heavily from external sources, primary multilateral lending institutions”.

Public Rescheduling Agreement which was concluded in 2002 on terms of the Paris Club facilitated expenditure from the state budget. It allowed reducing the current external debt service payments and helped manage liquidity flows: repayment of principal and interest on public external debt as projected in the budget for 2003 totaled Som 1545.5 million, having increased by Som 12.5 million in comparison to 2002. The actual external debt
Service payments were Som 537.4 million. Interest payment on external loans (Som 373.5 million) decreased by Som 70.6 million due to Paris Club debt (33 percent out of total external debt) restructuring, mainly. As a result, part of the resources earmarked for debt servicing was directed to finance domestic budget expenditure, which grew by 8 percent in comparison with 2002 in real terms (National Bank of KR, 2003: 21).

The government and international financial institutions have been engaged in a comprehensive medium-term poverty reduction and economic growth strategy. In 2005 Bishkek agreed to pursue much-needed tax reform and in 2006 became eligible for the Heavily Indebted Poor Countries (HIPC) initiative. HIPC is cosponsored by the World Bank and the International Monetary Fund (IMF). Official figures showed that Kyrgyzstan's external debt stood at nearly $2 billion on May 31, 2006, which comprised roughly 125 percent of its GDP. In March 2005, days before former President Askar Akayev's regime was toppled, the Paris Club of Creditors wrote off $555 million of Kyrgyzstan's debt. The initiative was started in 1996 and represents a debt-relief program for countries, whose external debts exceed their GDPs. Should Kyrgyzstan join the initiative, one thirds of its $2 billion external debt will be written off. However, the country will also be forced to carry out substantive reforms in the public sector (AKIpress, 15 December, 2006).

The Kyrgyz government has been negotiating the conditions of its entry into HIPC with both financial organizations, since November 29, 2006. The issue aroused reaction among the policy makers and the society as whole, including several demonstrations in front of the World Bank's offices in Bishkek during 29-30 November, 2006. Many in the Kyrgyz legislature oppose the country's joining HIPC, saying the move could undermine government efforts to reduce poverty and attract foreign investors. Others fear the program would give WB and IMF - HIPC's co-sponsors - too much control over the Kyrgyz economy (AKIpress, 15 December, 2006).
In the given situation there are different views on joining of HIPC: positive and negative. The main argument contributing to the negative view: a) it leads to the recognition of the country as a failed state both economically as well as politically; b) the exact amount multilateral foreign debt to be written off is not clear. Also, HIPC leads to debtor control over the energy sector and extractive and gold mining companies; c) socially, increasing of electricity cost by 26.5 percent to compensate the debt management would affect the lives of ordinary citizens.

As a positive step it gives: a) guarantee of writing off multilateral foreign debt to the tune of more than one-third of its USD 2 billion external debt (AKIpress, 24.kg, 15 December, 2006), which will help the economic recovery and stabilization. However, according to analyst Baktygulov, “the requirements of donors, that written-off money must be targeted towards nonproductive needs (i.e. social welfare expenses), which in its turn will not stimulate economic activity”, means that “the benefit will be in the hands of those international organizations, the activities of which led to debt crises, in particular in the hands of the IMF and World Bank”, and “the energy sector and mining industry will actually be managed by multilateral donors” (Baktygulov Sheradil, 2006).

According to him, “application of hydropolitics is more probable in those regions that experience intense struggle between leading great powers and in the regions that are still not affiliated with either alliance”. There is possibility of a regional state seeking “to influence the activities of neighboring countries, and thus, affect the politics in the region”. As per statistics, Kyrgyzstan’s largest river, Naryn, flows into the Toktogul water reservoir and further into rivers Syrdariya and Karadariya in the territory of Uzbekistan. 75% of the headwaters of the Syrdariya River are formed on the territory of Kyrgyzstan. Uzbekistan consumes 51% of Syrdariya’s water, while Kazakhstan consumes 32% (Baktygulov Sheradil, 2006). The Toktogul water reservoir provides to Uzbekistan enormous amount of water in summer via Andizhan, Kirkidon, Papan, and Tortgul water reservoirs, which produced seven billion cubic meters of water on average during the harvest period, from April 1st to October 1st. In addition, eight channels flow from our territory into Uzbekistan, providing water free of charge. Based on the
The term used by Bary Buzan (1991, p.190) - "the security complex" - concerns a group of states, whose security interests are bound up so closely that their national security cannot be in fact separately taken up from each other.

The foundations of the territorial unity and inviolability of the borders of former Soviet Republics were declared in CIS documents, confirming the Agreement (Belovejskoe Soglashenie), signed on December 8, 1991 in Belovejskaya Pusha (Belarus), and later on 21 December, 1991 in Alma-Ata (Kazakhstan).

Consequently, the external policy of Kyrgyzstan is directed toward peace, stability, territorial integrity and integration with other states of CIS, peaceful resolution of interethnic and armed conflicts, nonalignment and neutrality along with social and economic cooperation.

The Kyrgyz - Uzbek clashes in the Osh region in 1990 forced the newly independent Kyrgyzstan to initiate security measures. Thus, the urgent aim was the strengthening of the united military-strategic space of the country, at the same time taking into consideration the necessity of the military presence of Russia. The two main bilateral Agreements "About military service of citizens of the Russian Federation in the armed forces of the Kyrgyz Republic and theirs status" and "About procedure of military service of officers, praporshiks (lower rank), extending service tenure of men, and women of Russia in the armed forced of Kyrgyzstan", were signed in 1994. Following the improvements in internal condition of the country and strengthening of its stability, the two sides continued with the joint force arrangement in the territory of Kyrgyzstan.

A regional forum on security of Kazakhstan, Kyrgyzstan and, Uzbekistan was formed during 1991-1993 and Tashkent Collective Security Treaty was signed on May, 1992 within CIS framework for defense policy coordination, of CARs and Russia. The partners supported Kyrgyzstan during the Batken crisis in 1999.

In 1999 up to 1,000 Islamic radicals entered into the Batken region of southern Kyrgyzstan, taking hostage foreign nationals, including four Japanese geologists. Osh and Jalalabad cities, which spearheaded the regime change in Kyrgyzstan, happen to be
Hizb ut-Tahrir (radical Islamic group) strongholds, stretching from the Fergana provinces of Namangan, Andizhan and Kokand to the adjacent Penjekent Valley (Uzbekistan) and Khojent (Tajikistan).

The terrorists of the Islamic Movement of Uzbekistan (IMU) perpetrated the military aggression and incursion into the Batken province of Kyrgyzstan in summer 1999 and again in 2000. The purpose was to open a long corridor from Afghan border for drug, arms, and human trafficking.

Before the beginning of military actions of the USA against the Taliban in Afghanistan, the IMU had become much more active in Central Asia. The leader of the IMU, Juma Namangani, had mobilized the Islamic militants from Tajikistan to Afghanistan in 2000, and assured the Taliban leaders about establishment of a branch of the Islamic caliphate in the Ferghana valley. Apart from illegal trafficking of drugs, he dealt with contrabands like arms, ammunition, gold and diamond from Afghanistan and Tajikistan (the Djergetal district) (Baizakov Sh. K., UNDP, 2000).

To prevent this, on November 21, 1995 the President of Kyrgyzstan issued a Decree “About precautionary measures for the strengthening of combat with illegal narcotics”. According to the Decree, the frontier guards of the Russian Federation in Kyrgyzstan were handed control over the Tajik-Kyrgyz border areas, especially in the trafficking parts. This step also contributed to the implementation of the Russian Federal program, “The comprehensive measures on prevention of narcotic misuse and its illegal use in 1995-1997”. Within the program framework, in the Osh (Kyrgyzstan) – Khorog (Tajikistan) corridor four frontier posts and the special commandant’s office on the base of “Sary-Tash” were deployed.

The Russia-Kyrgyz frontier posts, apart from Osh-Khorog corridor, also took control over the Kyrgyz-Chinese border, and the three entry-points: airports of Manas and Osh; and the Torugart pass. The guarding of the Tajik-Afghan boundary and control over this corridor was a zone of Russian responsibility within the framework of Collective Treaty Agreement of CIS.
In 1997, on the decision of the government of Kyrgyzstan, the Russian frontier post was liquidated. On May 28, 1998 another Presidential Decree “About frontier of the Kyrgyz Republic” and “About frontier service of the Kyrgyz Republic” were adopted. Since then the national frontier service was established under the Ministry of Defense.

In order to maintain stability, peace and security in the Eurasian geopolitical space, Kyrgyzstan with five other countries created the Shanghai Cooperation Organization (SCO, 15 June, 2001). According to the Declaration, the presidents specially pointed out that the Treaty on Deepening Military Trust in Border Regions in 1996 in Shanghai and the Treaty on Reduction of Military Forces in Border Regions in 1997 in Moscow signed by the heads of states of Kazakhstan, China, Kyrgyzstan, Russia and Tajikistan, as well as the summary documents of the 1998 Alma-Ata Summit, the 1999 Bishkek Summit and the 2000 Dushanbe Summit, have made significant contribution to regional and world peace, security and stability, greatly enriched diplomatic and regional cooperation, and exerted an extensive and positive influence in the international community.

SCO also promotes greater economic integration and development in Central Asia and China’s west. The total territory of SCO members are 61% of Eurasian territory, and have one-fourth of World population. Obviously, the organization’s interests include Central Asia, and possibly the southern adjacent neighbors of Central Asia, primarily Afghanistan. In this context, not only China and Russia have interests in Central Asia, but also the U.S. Furthermore, the interests of China and Russia in other regions of the world do not entirely coincide with the zone of interests of the SCO. Such a format of cooperation can be feasible between the Collective Security Treaty Organization (CSTO), Eurasian Economic Community (EURASEC) and SCO. A Security Summit between the leaders of Kazakhstan, Kyrgyz republic, Tajikistan and Uzbekistan that took place in Tashkent in 20th April 2000 was a step in that direction. The presidents of Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan signed a 10-year treaty on joint efforts to combat terrorism, political and religious extremism, trans-national organized crime, and other threats to security and stability.
The SCO attaches special importance and makes every effort to ensure regional security. All member states closely cooperate with each other in implementing the Shanghai Treaty on the crackdown on terrorism, separatism and extremism, including establishing the SCO Anti-terrorism Center in Bishkek. In addition, the member states would work out corresponding documents of multinational cooperation in a bid to curb illegal arms smuggling, drug trafficking, illegal migration and other criminal activities, according to the Declaration in June 16, 2001. Uzbekistan joined the SCO in 2001, at a time when the IMU raised its activities again.

As the SCO completed 10 years, it attracted interest of other countries in the region to join. Mongolia became the first observer state in the SCO in 2004. Iran, Pakistan, and India have since gained similar status.

Continuing Afghan crisis, with radical militant activities and drugs, is the main source of threat to the security and stability of the Central Asian states. Ever-increasing flow of narcotic through the Central Asian states put a lot of pressure on the region for drug control, which is difficult without international support. Indeed, over 70 percent of world’s drug production comes from Afghanistan (UNOCD, 2002).

A third wave of political Islam has appeared in Central Asia – Hizb ut-Tahrir (HT - Party of Islamic Liberation) following the void left by the IMU. Unlike the earlier manifestations of political Islam, HT claims to be a pan-Islamic movement. HT subscribes to the goal of establishing a Shariat-based caliphate in Central Asia and "dividing Russia along the line of the Volga" so as to liberate the "originally Muslim lands".

Earlier, alarmed by the ascendency of the Taliban (leading to the capture of Kabul in 1996) and signs that the Tajik Islamists were increasingly coming under the influence of rival benefactors, Russia and Iran swiftly closed ranks to bring about a settlement to the
Tajik civil war⁷, giving Tajik Islamists a role in the government in Dushanbe (Bhadarakumar, M.K., May 12, 2005).

Kyrgyzstan officially joined the NATO-sponsored Partnership for Peace (PfP) program in 1994, although it has been participating in the work of the Council of the Euro-Atlantic Partnership, the main advising body of “partnership,” since 1992. The main priorities for Kyrgyzstan within the framework of PfP have not significantly changed since signing the PfP Framework Document. PfP mainly addresses fighting international terrorism, emergency civil planning, and issues of developing science and protecting the environment. Other important potential spheres of partnership with NATO remain unrealized: peacekeeping, military reform, military training, institutional renewal of the defense sector, and control over arms.

The regional initiative to combat terrorism, regional extremism and narco-business became the priority of the internal as well as external policy of many UN member counties after September 11, 2001, attacks. The Central Asia states rapidly became a new arena of competing security and economic interests. The USA, aiming to strengthen the anti-Taliban resistance in Afghanistan, went on to secure military bases in Central Asia.

On January 9, 2002, about 3,000 U.S. troops arrived in Kyrgyzstan under the PfP program of NATO. The Gansi airbase of the US Air Force has been placed in the Manas airport of Bishkek based on the Agreement between the governments of both countries. The airbase apart from being a terminal for attacking the terrorist bases and armed units in Afghanistan, is used for 15-20 flights daily by heavy military transport aircrafts to Afghanistan with humanitarian aids. At the same time Kyrgyzstan also gave the Kant air base to the Russian Air Force for military purposes within the CSTO regional security framework. The presence of two airbases in the territory has not been contradictory because of different terms for their use. As for Kyrgyzstan, declaring support for military action of both powers is important for security reasons. It is essential to develop security

⁷ The Civil War in Tajikistan is the armed conflict started in 1992 and settled in peace in 1997 between the government forces of the National Front and the United Tajik Opposition.
cooperation regionally, with neighboring countries, and internationally, with “great powers”.

However, according to F. Tolipov (2005, p.50), the difference of American and Russian interests in Central Asia is “if the USA’s target is the strengthening of an independent and self-reliant role of the Central Asian states,...the priority of the Russian Federation is non-admission of the reducing of the Russia’s influence at the expense of the increasing America’s influence”.

Yet, the nature of the US-Central Asian relations is ambiguous. Tension between Uzbekistan and the US reached its highest point after Andijon developments on 13 May, 2005, when finally it lead to the closure of U.S. in the territory and Uzbekistan joined CSTO and SCO.

Consequently, at the SCO summit in July 2005, SCO leaders called on the United States to set a timetable for its withdrawal from military bases in Central Asia. However, during the visit of the USA Secretary of Defense Donald Rumsfeld in July 25, 2005, the President of Kyrgyzstan expressed support to the anti-terrorist coalition, and assured that American forces could stay as long as there is need for the base in relation to operations in Afghanistan. Then in October 11, 2005, during the visit of the US Secretary of State Condoleezza Rice to Central Asia “the joint statement of the united States of America and the Kyrgyz Republic on presence of US troops in Central Asia was signed” (US Government, www.usinfo.state.gov, October 11, 2005).

The Manas air base opened in December 2001 in order to support the antiterrorist Operation Enduring Freedom in Afghanistan with the UN mandate. The core of the group is currently formed of about 1,000 US Air Force military with military-transport aircraft and tanker aircraft. Kyrgyzstan President Kurmanbek Bakiyev in March, 2009 signed into law the bill approved by the parliament on denunciation of the agreements on the Manas air base with 11 countries - participants in the international antiterrorist coalition. This means the return of the base to Kyrgyzstan; however position remains unclear from the US side.
Narco-trafficking still remains a main source of terrorism, along with religious extremism. As per expert K. Imanaliev (November 30, 2006, www.ipp.kg) today, taking into account the situation in Afghanistan that is worsening (the Taliban has under its influence a large part of Afghanistan’s territory), the security issues need to unite the interests of the different coalitions: NATO and SCO in the framework of triadic U.S.A.-China-Russia relations, where Central Asia is a focal point. “In this case, the “concept of national interests”, taken as a principle of Kyrgyzstan’s foreign policy, should play a counterbalancing role. For the time being however, the national interests of Kyrgyzstan are interpreted somewhat differently” underlines Joomart Ormonbekov (www.ipp.kg, November, 2006).

Today, the Kyrgyz Republic is a member of many regional integration mechanisms like, Economic Cooperation Organization (ECO) in November 29, 1992, CIS (September, 1993), the Central Asian Economic Association Cooperation (now CACO, April, 1994), and SCO (“Shanghai Five” earlier, 1996). Finally, according to SCO principle of openness, the organization is building business relations with the EU, ASEAN, CSTO, and EURASEC.

The Kyrgyz Republic acts as a supplier of electric power, gold, cotton fiber, articles made of wool and cotton, wood, leather materials, tobacco, antimony and mercury. It is a net importer of energy resources, oil products, natural gas, coal, fertilizer and other chemical products, machinery, vehicles and spare parts, and household appliances.

Kyrgyzstan has hydel energy resources, well-educated labor force, and good potential for food processing, consumer industry, mining and metallurgy. There is also huge potential in the tourism sector. Kyrgyzstan has some spectacular scenic places including Issyk-Kul, the world’s second largest Alpine lake. The need to develop trade and economic relations with neighboring countries is being pursued through a membership of WTO, Custom Union, ECO, and EURASEC to get more mutual contributions.

In the geopolitical scene of Central Asia there are many major stakeholders with interest in the natural and energy resources on the one hand, and on the other – security concern –
the growth of danger of terrorism and expansion of the weapons of mass destruction which have interdependent effect in the Central Asian region.

The most natural way of coordinating efforts in this sphere would be participation of Russia, Kazakhstan, Uzbekistan, China, the US as well as India in constructing new power plants and water reservoirs. Therefore, the economic priorities of the country, on the one hand, can be integration in regional and world technological clusters of processing and finishing of agricultural products, rare-earth minerals, and development of communication and tourist services. On the other hand, there is a need for manufacturing of exclusive high-tech technological agricultural products. Finally, there is need for innovation in the field of biotechnology, non-traditional energy sources, and mining technologies.

China intends to provide credits for the construction of power transmission lines in Tajikistan and Kyrgyzstan; the Kazakhstan part is also expressing their willingness to participate in the construction of energy facilities in these countries. Moreover, the USA is showing great interest to invest in the construction of power plants, as well as the installation of power transmission lines in the southern direction to Afghanistan and Pakistan. Russia has already been participating in the construction of hydro-electric stations (Kambarata I and II) and French company has been involving in feasible study jointly with Price Waterhouse (Indian branch office).

Created within the scope of the Central Asian Regional Economic Cooperation Program (CAREC), the Forum of Power Energy Regulating Bodies (FPERB) is also working on implementing some projects in this sphere directed toward forming a joint energy network in the region. It is expected that the Uzbekistan is also going to express interest in such projects. In this context it is important to note that through working out of mega energy and minerals projects, India and Kyrgyzstan can achieve a higher level of economic, as well as security cooperation.